CONFIRMATION OF THE COMPANY'S RESPONSIBLE PERSONS

This confirmation of responsible employees concerning the audited Separate Financial Statements and the Annual Report, the Corporate Governance Report, the Consolidated Social Responsibility Report, and the Remuneration Report of AB Panevėžio Statybos Trestas for the year 2022 is presented in accordance with the Law on Securities of the Republic of Lithuania and the Rules for Preparation and Presentation of Periodic and Additional Information approved by Resolution of the Board of the Bank of Lithuania.

Hereby we confirm that, as to our knowledge, the presented separate financial statements, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of AB Panevėžio Statybos Trestas financial position, profit or loss and cash flows, and that the Consolidated Annual Report, the Corporate Governance Report, the Consolidated Social Responsibility Report, and the Remuneration Report fairly states the review of business development and activities, the Company's position and description of the main risks and uncertainties that are faced.

AB Panevėžio Statybos Trestas
Managing director
Egidijus Urbonas

4 April 2023

AB Panevėžio Statybos Trestas
Chief Financial Officer
Evaldas Pocevičius

4 April 2023

AB „Panevėžio statybos trestas“
P. Puzino g. 1, LT-35173 Panevėžys
Įmonės kodas 147732969
PVM mokėtojo kodas LT477329610

Tel. +370 45 505 503
Faks. +370 45 505 520
El. paštas: pst@pst.lt
www.pst.lt

AB Luminor Bank
A/s LT694010041200090221
AB SWEDBANK
A/s LT947300010000074994

AB Panevėžio Statybos Trestas

Separate Financial Statements for the year 2022 prepared in accordance with International Financial Reporting Standards as adopted in the European Union, presented together with Independent Auditor's Report and Annual Report

Content

Information about the Company

AB Panevėžio Statybos Trestas

Company code:	147732969
Phone:	+370 45 505 503
Fax:	+370 45 505 520
Address:	P. Puzino st. 1, LT-35173 Panevėžys

Board

Justas Jasiūnas, Chairman
Gvidas Drobužas
Kristina Mačiulienė
Lina Simaškienė
Vaidas Grincevičius

Management

Egidijus Urbonas, Managing Director

Auditor

Grant Thornton Baltic UAB

Banks

Luminor bank AS
AB SEB bankas
AB Swedbank
AB Šiaulių bankas
OP Corporate Bank plc Lithuania

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of PANEVĖŽIO STATYBOS TRESTAS AB

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of AB PANEVĖŽIO STATYBOS TRESTAS (hereinafter the 'Company'), which comprise the statement of financial position as of 31 December 2022, the statements of comprehensive income, cash flows and changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Company's financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of the financial statements of the Republic of Lithuania that are relevant to the audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of the financial statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Below is the description of each key audit matter and our response to it.

1. **Key audit matter – Revenue recognition for constructions contracts in progress**

The Company's main revenue stream comes from large long-term construction contracts. As disclosed in Notes 2, 3.14 and 19, the Company recognizes revenue from the customer specific construction contracts in progress as of the year-end based on the estimated stage of completion of the projects, which is assessed by reference to the proportion of total costs incurred through the reporting date compared to total costs of the contract estimated by management.

This matter was significant to our audit because recognition of revenue for the reporting year is highly dependent on the judgment exercised by the management in assessing the completeness and accuracy of forecast costs to complete the construction contract and changes in these judgments and related estimates throughout a contract life can result in material adjustments to revenue and margin recognised on contracts, which can be either positive or negative.

How the Matter Was Addressed in the Audit

Furthermore, we have considered the adequacy of the disclosures in Note 27 of the financial statements on this matter.

Our audit procedures, among others, included the following:

- Updating our understanding of the Company's revenue recognition process, including the model used for the revenue recognition in relation to the contracts in progress, and controls in relation to long-term construction contracts. We also assessed how the management makes the accounting

Grant Thornton Baltic UAB
Vilnius | Upės st. 21 | 08128 Vilnius | Lithuania | T +370 52 127 856 | E info@lt.gt.com
Kaunas | Jonavos st. 60C | 44192 Kaunas | Lithuania | T +370 37 422 500 | E kaunas@lt.gt.com
Klaipėda | Taikos ave. 52c / Agluonos st. 1-1403 | 91184 Klaipėda | Lithuania | T +370 46 411 248 | E klaipeda@lt.gt.com

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estimate (determines the stage of completion of the projects) and the accuracy, completeness and relevance of the data on which it is based as further described below.

- Testing the Company's key controls over allocation of revenues and costs to a specific contract.
- Consideration of the accuracy of management's forecasts for potential management bias by comparing the historical financial performance of selected contracts completed in 2022 with the total cost estimates and forecasted margins for those contracts used for revenue recognition as of 31 December 2021.
- Considering whether all material loss making contracts were properly identified and accounted for;
- Selecting a sample of contracts with the greatest potential impact on the Company's financial statements for the year ended 31 December 2022, considering both quantitative and qualitative criteria, such as significant margin changes, loss-making contracts or projects which are unique in their nature, for additional testing as outlined below.

For the sample of contracts selected, we have considered the adequacy of the management's estimate on the amount of revenue to be recognized in the financial statements by performing the following procedures, among others:

- comparing the contracts signed with customers against the total contract value estimates included in the management's calculations;
- considering the management's estimated costs required to complete the contracts by reference to our understanding of the contract scope and the management's contracts' cost budgets and our inquiries of contract managers;
- tracing costs incurred up to date as per management's estimation of the stage of completion to the costs included in the statement of comprehensive income, considering also whether they are reflective of the actual progress of the work and are eligible items;
- considering the reasonableness of the margins recognised by the Company for the projects in progress taking into account our understanding of the contract scope and the historical performance of the Company;
- and tracing actual contract revenues accounted for in the statement of comprehensive income to the estimation of the management of the amounts of revenue to be recognized for the contracts in progress based on the assessment of their stage of completion.

Finally, we considered the adequacy of the disclosures about the matter in Notes 2 and 19 of the financial statements.

2. Key audit matter – Impairment assessment of investments into subsidiaries and receivables from subsidiaries

As disclosed in Notes 16, 17, 19 and 29 in the financial statements, the carrying value of the Company's investments into subsidiaries amounts to EUR 5.98 million and the total balance of receivables from these subsidiaries, including loans granted and interest accrued, amounted to EUR 7.71 million as at 31 December 2022 (EUR 5.98 million and EUR 7.76 million, respectively, as at 31 December 2021). The management's assessment of the recoverable amount of investments into subsidiaries and impairment losses on receivables from them, including loans granted and accrued interest, requires estimation and judgement around the assumptions used, including the recoverable value of real estate projects under development by subsidiaries as disclosed in Notes 2 and 16. Changes to these assumptions could lead to material changes in the estimated recoverable amount of investments and impairment losses on loans and receivables.

This matter was important to our audit due to significance of the amounts involved and high degree of related management estimation.

We, among other audit procedures, have obtained an understanding (including understanding of the assumptions and methods), applied by the management in impairment test of investments in subsidiaries and receivables from subsidiaries. We considered the completeness of the potential impairment indicators identified by the management by comparing the carrying value of the Company's investments into each subsidiary

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Vilnius | Upės st. 21 | 08128 Vilnius | Lithuania | T +370 52 127 856 | E info@lt.gt.com
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with the Company's share in the net assets of the subsidiary at their book value and discussing with the management their performance and their outlook.

We also considered the assumptions and methodologies used by the management to determine the recoverable amounts of the investments in subsidiaries and estimated credit losses (ECL) of accounts receivable and loans granted.

We also considered the subsidiaries' ability to repay the amounts due to the Company by examining their liquidity position based on their financial statements as well as their future cash flow forecasts.

Finally, we considered the adequacy of the Company's disclosures included in Notes 2, 16 and 17 about the significant assumptions used in the estimation of recoverable values and the results of the impairment assessment.

3. Key audit matter – Assessment of impairment of trade receivables and contract assets

As at 31 December 2022, the Company had non-current and current trade accounts receivable and contract assets balance amounting to EUR 0.11 million and EUR 18.45 million respectively, reported in the statement of financial position as disclosed in Notes 4 and 19 of the financial statements.

The estimation of the expected credit losses (ECL) as required by IFRS 9 Financial instruments involves significant management judgement. As disclosed in Note 2, specific factors management considers include analysis of the historical credit losses, consideration of economic developments and other subjective risk factors related to the specific debtor or debtors' group.

This matter is significant to our audit due to materiality of the amounts as these receivables constitute over 35.0% of the total assets of the Company in the statement of financial position as at 31 December 2022 and high level of management judgement involved in the assessment of their impairment.

How the Matter Was Addressed in the Audit

Our audit procedures, among others, included the following:

- We gained an understanding of the management's process of estimation of impairment of trade receivables and contract assets. This included the consideration whether the model used to develop the estimate is appropriate and assessment whether the impairment accounting policy applied by the Company is in line with the requirements of IFRS 9 Financial instruments.

We also assessed how the management made the accounting estimate and the accuracy, completeness and relevance of the data on which it is based as follows:

- For receivables and contract assets assessed by the management for impairment individually, we have discussed with the management selected individual balances, including management's analysis of expected recoverability of these balances, and also considered independently the indications of potential understatement of ECL by assessing the ageing of the receivables and amounts collected after the date of the statement of financial position.
- For receivables assessed by the management using the expected credit loss rate matrix, we have assessed the key estimates made by the management in developing the ECL matrix, including historical default rate information and forward-looking information as of 31 December 2022. We tested the correctness of aging of the receivables by agreeing the date to the invoices issued for selected items and verified the arithmetical accuracy of the management's calculation of impairment.

Furthermore, we have assessed the adequacy of the disclosure in the financial statements on this matter (Notes 2, 4 and 19).

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Vilnius | Upės st. 21 | 08128 Vilnius | Lithuania | T +370 52 127 856 | E info@lt.gt.com
Kaunas | Jonavos st. 60C | 44192 Kaunas | Lithuania | T +370 37 422 500 | E kaunas@lt.gt.com
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Other information

Other information consists of the information included in the Company's and Consolidated Annual Report (hereinafter the "Company"), including the Corporate Governance Report, the Remuneration Report and the Corporate Social Responsibility Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information presentation.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as indicated below.

In connection to our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In addition, our responsibility is to consider whether information included in the Company's Annual Report, including Corporate Governance Statement and Remuneration Report, for the financial year for which the financial statements are prepared is consistent with the financial statements and whether the Company's Annual Report, including Corporate Governance Statement and Remuneration Report, has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of financial statements, in our opinion, in all material respects:

- The information given in the Company's annual report, including Corporate Governance Statement and Remuneration Report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- The Company's annual report, including Corporate Governance Statement and Remuneration Report, has been prepared in accordance with the requirements of the Law of the Republic of Lithuania on Reporting by Undertakings.

It is also our responsibility check whether the Corporate Social Responsibility Report has been provided. If we identify that the Corporate Social Responsibility Report has not been provided, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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Vilnius | Upės st. 21 | 08128 Vilnius | Lithuania | T +370 52 127 856 | E info@lt.gt.com
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- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the decision made by the General Meeting of Shareholders on 29 July 2021, we have been chosen to carry out the audit of the Company's financial statements for the first time. Our appointment to carry out the audit of the Company's financial statements in accordance with the decision made by the General Meeting of Shareholders is renewed every two years and the period of total uninterrupted engagement is two years.

We confirm that our opinion in the section 'Opinion' is consistent with the additional Audit report which we have submitted to the Company and its Audit Committee.

We confirm that to the best of our knowledge and belief, services provided to the Company are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

In the course of audit, we have not provided any other services except for audit and translation of the Company's financial statements.

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Vilnius | Upės st. 21 | 08128 Vilnius | Lithuania | T +370 52 127 856 | E info@lt.gt.com
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Report on the Compliance of the Format of Financial Statements with the Requirements of the European Single Electronic Format

The single electronic reporting format of the Company's financial statements has been applied by the Company to comply with the requirements of Article 3 of the Commission Delegated Regulation (EU) 2018/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter the "ESEF Regulation"). Pursuant to these requirements, the Company's financial statements must be prepared in XHTML format. We confirm that the single electronic reporting format of the financial statements for the year ended 31 December 2022 complies, in all material aspects, with the ESEF Regulation.

The partner in charge of the audit resulting in this independent auditor's report is Arvydas Ziziliauskas.

Arvydas Ziziliauskas[1]
Lithuanian Certified Auditor
License No 000467

4 April 2023

Jonavos st. 60C, Kaunas
Grant Thornton Baltic UAB
Audit company's licence No 001513

[1] Signed with an electronic signature on 4 April 2023

Grant Thornton Baltic UAB
Vilnius | Upės st. 21 | 08128 Vilnius | Lithuania | T +370 52 127 856 | E info@lt.gt.com
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Company code: 147732969
Address: P. Puzino st. 1, LT-35173 Panevėžys

Statement of Comprehensive Income

For the year ended December 31

EUR thousand

	Note	2022	2021
Revenue from contracts with customers	5	79,222	65,721
Cost of sales	6	(77,066)	(59,888)
Gross profit		**2,156**	**5,833**
Other revenue	10	1,432	985
Selling expenses	7	(337)	(355)
Administrative expenses, total:	8	(6,797)	(6,067)
Impairment loss (reversal) on trade debts, contract assets and other receivables		100	235
Other administrative expenses		(6,897)	(6,302)
Other expenses	10	(620)	(512)
Operating profit (loss)		**(4,166)**	**(116)**
Finance income, total	11	2,188	957
Interest income		231	555
Reverse of interest charged by the Competition Council	11	1,133	0
Other finance income		824	402
Finance expense, total:	11	(126)	(339)
Interest expenses		(102)	(256)
Other finance expense		(24)	(83)
Profit (loss) before tax		**(2,104)**	**502**
Income tax expenses (benefit)	12	384	(198)
Net profit (loss)		**(1,720)**	**304**
Other comprehensive income			
Items that will never be transferred to profit/(loss)		**1,029**	**-**
Non-current asset revaluation impact		1,211	-
Deferred income tax on revaluation of non-current assets		(182)	-
Items that will be transferred to profit (loss)		-	-
Other comprehensive income, total		**1,029**	**-**
Total comprehensive income (loss)		**(691)**	**304**
Basic earnings (loss) per share (EUR)	31	(0.11)	0.02

Notes disclosed in pages 16–55 are an integral part of these financial statements.

Managing director	Egidijus Urbonas	04/04/2023
Chief accountant	Danguolė Širvinskienė	04/04/2023

Company code: 147732969
Address: P. Puzino st. 1, LT-35173 Panevėžys

Statement of Financial Position

As at 31 December

EUR thousand

	Note	2022	2021
ASSETS			
Non-current assets			
Property, plant and equipment	13	4,051	3,438
Intangible Assets	14	164	184
Investment Property	15	3,741	3,396
Right of use assets	26	691	977
Investments in subsidiaries	16	5,977	5,977
Loans granted	17	5,954	5,799
Non-current trade receivables	4, 19	114	29
Other non-current financial assets		535	454
Deferred tax assets	12	451	249
Total non-current assets		**21,678**	**2,0503**
Current assets			
Inventories	18	5,267	4,559
Trade receivables	4, 19	14,232	11,749
Contract assets	4, 19	4,104	3,082
Prepayments		706	1,220
Loans granted	17	1,358	1,395
Other current assets	20	404	1,75
Prepaid income tax		0	0
Cash and cash equivalents	21	5,013	5,795
Total current assets		**31,084**	**27,975**
TOTAL ASSETS		**52,762**	**48,478**

Notes disclosed in pages 16–55 are an integral part of these financial statements.

Managing director	Egidijus Urbonas	04/04/2023
Chief Accountant	Danguolė Širvinskienė	04/04/2023

Company code: 147732969
Address: P. Puzino st. 1, LT-35173 Panevėžys

Statement of Financial Position (continued)

As at 31 December

EUR thousand

	Note	2022	2021
EQUITY AND LIABILITIES			
Equity			
Issued capital	22	4,742	4,742
Reserves	22	2,509	1,612
Retained earnings		14,197	15,785
Total equity		**21,448**	**22,139**
Non-current liabilities			
Warranty provisions	25	471	702
Deferred tax liability	12	0	0
Pension fund provision	25	87	80
Non-current lease liabilities	26	408	690
Total non-current liabilities		**966**	**1,472**
Current liabilities			
Loans	23	0	0
Current lease liabilities	26	296	291
Trade payables	24	13,979	11,811
Contract liability	27	3,630	1,144
Provisions	19, 25, 27	208	148
Other liabilities	19, 27	12,235	11,473
Total current liabilities		**30,348**	**24,867**
Total liabilities		**31,314**	**26,339**
TOTAL EQUITY AND LIABILITIES TOTAL		**52,762**	**48,478**

Notes disclosed in pages 16–55 are an integral part of these financial statements.

Managing director	Egidijus Urbonas	04/04/2023
Chief accountant	Danguolė Širvinskienė	04/04/2023

Company code: 147732969
Address: P. Puzino st. 1, LT-35173 Panevėžys

Statement of Changes in Equity

EUR thousand	Note	Issued capital	Legal reserve	Revaluation reserve	Retained earnings	Total equity
Balance as at 31/12/2021		**4,742**	**475**	**1,137**	**15,785**	**22,139**
Net profit (loss)		-	-	-	(1,720)	**(1,720)**
Revaluation reserve after taxes		-	-	1,029	-	**1,029**
Total comprehensive income for the year		-	-	1,029	(1,720)	(691)
Depreciation of revalued assets		-	-	(132)	132	**-**
Balance as at 31/12/2022		**4,742**	**475**	**2,034**	**14,197**	**21,448**
Balance as at 31/12/2020		**4,742**	**475**	**1,270**	**15,349**	**21,836**
Net profit (loss)		-	-	-	304	**304**
Total comprehensive income for the year		-	-	-	304	**304**
Depreciation of revalued assets		-	-	(133)	132	**(1)**
Balance as at 31/12/2021		**4,742**	**475**	**1,137**	**15,785**	**22,139**

Notes disclosed in pages 16–55 are an integral part of these financial statements.

Managing director	Egidijus Urbonas	04/04/2023
Chief accountant	Danguolė Širvinskienė	04/04/2023

Statement of Cash Flows

For the year ended December 31
EUR thousand

	Note	2022	2021
Cash flows from operating activities			
Net profit (loss)		(1,720)	304
Adjustments to:			
Depreciation and amortisation	13, 14	786	848
Result from disposal of property, plant and equipment		(26)	(84)
Income tax expenses (benefit)	12	(384)	198
Financing activities	11	(989)	(309)
Other non-cash items		(305)	20
Net cash flows from operating activities before changes in working capital		**(2,638)**	**977**
Changes in working capital:			
Changes in non-current receivables		352	(2,080)
Changes in inventories	18	(784)	(1,776)
Changes in trade receivables and contract assets	19	(3,586)	(3,378)
Changes in prepayments		514	(985)
Changes in other assets		(228)	(162)
Changes in trade payables	24	2,167	3,624
Change in contract liabilities (prepayments received)	19	473	(614)
Changes in other liabilities		2,496	(1,670)
Income tax paid		-	-
Net cash flows from operating activities		**(1,234)**	**(6,064)**
Cash flows used in investing activities			
Acquisition of intangible assets and property, plant and equipment	13, 14	(140)	(323)
Disposal of property, plant and equipment		28	292
Loans granted	28	(292)	(775)
Collection of loans granted		415	22,859
Dividends received	11	804	402
Interest received	11	32	321
Net cash flows used in investing activities		**847**	**22,776**
Cash flows from/used in financing activities			
Dividends paid*		(1)	-
Loans received (overdraft)	4, 23	12,961	-
Loans repaid (overdraft)	4, 23	(12,961)	(15,000)**
Lease obligations	26	(306)	(3,09)
Interest paid	4	(88)	(256)
Net cash flows from/used in financing activities		**(395)**	**(15,565)**
Net increase/(decrease) in cash and cash equivalents		(782)	1,147
Effect of foreign exchange on cash			-
Cash and cash equivalents as at January 1	21	5,795	4,648
Cash and cash equivalents as at December 31	21	**5,013**	**5,795**

* There were no dividend payments in 2022 and 2021.
** Credit repayment to bank

Notes disclosed in pages 16–56 are an integral part of these financial statements.

Managing director	Egidijus Urbonas	04/04/2023
Chief accountant	Danguolė Širvinskienė	04/04/2023

Notes to the Financial Statements

1. General information

AB Panevėžio Statybos Trestas (hereinafter the “Company”) is a public limited liability company was was established in 1957. The company code is 147732969, registered address is P. Puzino st. 1, LT-35173 Panevėžys, the Republic of Lithuania. As from 13 July 2006, the Company’s ordinary shares are listed on the Official trading list of the Vilnius Stock Exchange (VSE). The main activities of the Company are construction of buildings, structures, plant and communication facilities in Lithuania and abroad. As at 31 December 2022, the Company had 537 employees (31 December 2021: 560 employees).

The Company has the following branches in Lithuania: Genranga, Gerbusta, Pastatų Apdaila, Klaipstata, and Konstrukcija. The Company also has permanent establishments in the Republic of Latvia and in the Kingdom of Sweden.

As at 31 December 2022 and 2021, the principal shareholders of the Company were as follows:

- AB Panevėžio Keliai, S. Kerbedžio st. 7, Panevėžys, company code 147710353, (49.78%) (ultimate controlling shareholder);
- Clairmont Holdings LTD, Grigori Afxentiou, 27 P.O.6021, CY (5.73%);
- The freely traded shares, owned by natural and legal persons (44.49 %). No one owns more than 5%.

These financial statements are the Company’s separate financial statements. The Company is also preparing the Company and its subsidiaries’ consolidated financial statements. Set of consolidated financial statements is kept at the Company’s registered office at P. Puzino st. 1, LT-35173 Panevėžys, the Republic of Lithuania, and published on website www.pst.lt. The information about the subsidiaries’ activities is presented in Note 16.

The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require a new set of financial statements to be prepared. The Company’s management authorised these financial statements on 4 April 2023.

2. Basis of Preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter “IFRS”).

Basis of preparation of the financial statements

The financial statements have been prepared on the historical cost basis except for land and buildings measured using the revaluation model and investment property measured at fair value.

Functional and presentation currency

The financial statements are presented in euro, the national currency of the Republic of Lithuania, which is the Company’s functional currency.

Due to rounding of certain amounts to thousand, figures in the tables may differ. Such rounding bias is immaterial in these financial statements.

Judgements and estimates

The preparation of the financial statements in conformity with IFRSs requires management to make judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty in applying accounting policies that have a significant effect on the amounts recognised in the financial statements and have a significant risk of causing material adjustments to the financial statements in the next financial year is included in the following notes:

2. Basis of preparation (continued)

- Note 12: deferred taxes recognition. Deferred tax asset is recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences could be utilised.
- Note 13: fair value of land and buildings which are measured using the revaluation model, useful lives of property, plant and equipment and intangible assets. The Company assesses the useful lives of property, plant and equipment and intangible assets at least once a year (Note 3.3). Revaluations are carried out regularly ensuring that the carrying amount of land and buildings do not significantly differ from their fair values as at reporting date. The Company's real estate appraisal was carried out when preparing these financial statements,
- Note 16: measurement of recoverable amounts of investments in subsidiaries. A key factor in estimating the recoverable amounts of the investment in subsidiaries is the recoverability of ongoing construction projects and other assets of subsidiaries. Therefore, the Company engaged external appraisers to estimate the fair values of these projects based on discounted cash flow or comparable price technique, the Company also relied on the Purchase and Sale Agreement signed with a third party after the reporting date and related information.
- Notes 19 and 26: impairment of trade receivables and estimation of revenue from contracts with customers and contract assets as well as contract liabilities based on the stage of completion of the construction contracts. The accuracy of the recognition of revenue on contracts in progress is highly dependent on the judgement exercised by management in assessing the completeness and accuracy of planned costs (budget) as it is the key assumption in the assessment of revenue, contract assets and contract liabilities based on the stage of completion of the contracts in progress. Estimating the recoverable amounts of receivables is a process, which requires significant management judgement and estimates, particularly those that are related to expected credit losses assessment based on the analysis of the historical credit losses, considerations of future factors and other subjective risk factors related to the specific debtor or debtors' group. Estimates were applied in assessing the amounts to be collected and their timing.
- Note 17: loans granted are classified as long-term or short-term. Additionally, the impairment testing requires the management to make an assessment of the significance of increase in credit risk since initial recognition, which is performed by the management considering the liquidity situation of subsidiaries taking into account their financial statements and cash flows forecasts.
- Note 25: the Company estimates warranty provision on a monthly basis having regard to monthly revenue. Warranty provision is being estimated by taking into account revenue, actual warranty expenses incurred in previous periods, its proportion against actual sales, statutory term of warranty and historical information.
- Note 28: The management judgements are to predict the outcome of litigations. Provisions are not recognised in the financial statements as based on the management judgement it is more likely than not, that the Company will win the legal disputes mentioned in the Note 28, or it is not possible to assess reliably the possible outcome of the contingency at the moment.

3. Summary of Significant Accounting Policies

During the reporting period, the Company adopted new standards and amendments to existing standards and their interpretations, which are relevant to the activities and effective for annual periods beginning on or after 1 January 2022.

(a) Standards, their amendments and interpretations effective for annual periods beginning on or after 1 January 2022.

IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments) (all issued on 14 May 2020 with effective date of 1 January 2022)

The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- IFRS 3 Business Combinations (Amendments) update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16 Property, Plant and Equipment (Amendments) prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss of the statement of profit or loss and other comprehensive income.

3. Summary of Significant Accounting Policies (continued)

- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- Annual Improvements 2018–2020 make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases

These amendments are effective in European Union for annual reporting periods beginning on or after 1 January 2022. The management assessed that these amendments has no material impact on the financial statements.

(b) Standards issued but not yet effective and not early adopted and their amendments

New standards, amendments and interpretations that are not mandatory for reporting period beginning on 1 January 2022 and have not been early adopted when preparing these financial statements are presented below:

IFRS 17 and IFRS 4: the Deferral of Effective Dates of IFRS 17 and IFRS 9 for Insurers (Amendments) (issued on 25 June 2020 with effective date of 1 January 2023).

The amendments to IFRS 17 are effective, retrospectively, for annual periods beginning on or after 1 January 2023, with earlier application permitted. The amendments aim at helping companies implement the Standard. Overall, the amendments are designed to reduce costs by simplifying some requirements in the standard; make it easier to explain financial performance; and ease transition by deferring the effective date of the standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time.

The amendments to IFRS 4 change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after January 1, 2023.

The management has assessed that these amendments will not have any impact on the Company’s financial statements.

IFRS 17 Insurance Contracts (issued on 18 May 2017 with effective date of 1 January 2023).

The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. In its meeting in March 2020, IASB decided to defer the effective date of the standard to 2023. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity.

This Standard will not have any impact on the financial position or performance of the Company as insurance services are not provided.

IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments) (issued on 7 May 2021 with effective date of 1 January 2023).

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments are effective for reporting periods beginning on or after 1 January 2023 with earlier application permitted.

The management has not yet evaluated the impact of the implementation of these amendments.

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments) (issued on 12 February 2021 with effective date of 1 January 2023).

The amendments effective for reporting periods beginning on or after 1 January 2023. Earlier application is permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose ‘significant’ accounting policies with a requirement to disclose ‘material’ accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when

3. Summary of Significant Accounting Policies (continued)

making judgements about accounting policy disclosures. The management has not yet evaluated the impact of the implementation of these amendments.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments) (issued on 12 February 2021 with effective date of 1 January 2023).

The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The amendments become effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The management has not yet evaluated the impact of the implementation of these amendments.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current (issued on 23 January 2020 with effective date of 1 January 2024, but not before it is adopted by the EU).

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. The amendments have not yet been endorsed by the EU. The management has not yet evaluated the impact of the implementation of these amendments.

Amendments to IAS 1 “Non-current Liabilities with Covenants” (issued on 31 October 2022 with effective date of 1 January 2024, but not before it is adopted by the EU):

Modify the requirements introduced by Classification of Liabilities as Current or Non-current on how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances: Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The amendments are effective for reporting periods beginning on or after 1 January 2024. The amendments are applied retrospectively in accordance with IAS 8 and earlier application is permitted. The amendments have not yet been endorsed by the EU. The management has not yet evaluated the impact of the implementation of these amendments.

Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback” with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale (issued on 22 September 2022 with effective date of 1 January 2024, but not before it is adopted by the EU).

Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback” require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease. The amendments become effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to sale and leaseback transactions entered into after the date of initial application. The amendments have not yet been endorsed by the EU. The management has not yet evaluated the impact of the implementation of these amendments.

3. Summary of Significant Accounting Policies (continued)

3.1 Foreign currency

Transactions in foreign currencies are translated to the functional currency at exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate by the European Central Bank ruling at that date. The foreign currency gain or loss on monetary items is recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities denominated in foreign currencies that are measured at cost are translated to the functional currency at the exchange rate at the date that the asset or liability is recognised in statement of financial position. Foreign currency differences arising on translation are recognised in profit or loss.

3.2 Financial instruments

Financial instrument: a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement
At initial recognition, financial asset is classified as either measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss.

The classification of the financial asset depends on the contractual cash flow characteristics of the asset and the Company’s business model for managing the asset. These assets, except for trade receivables that do not have a significant financing component, are initially measured by the Company at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs. Trade receivables that do not have a significant financing component are measured at the transaction price identified under IFRS 15.

Financial asset is classified and measured at amortised cost or fair value through other comprehensive income, where cash flows arising from financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is known as the SPPI test and is performed for each financial instrument.

The Company’s financial asset management model indicates how the Company manages its financial assets to generate cash flows. The business model determines whether cash flows will be generated by collecting contractual cash flows, by selling this financial asset or by using both options.

Ordinary purchases or sales of financial assets are recognised on the trade date, i.e. the date on which the Company commits to purchase or sell the financial asset.

Subsequent measurement
After initial recognition, the Company measures financial assets:
(a) At amortised cost (debt instruments).
At fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition (debt instruments). As at 31 December 20221 and 2021, the Company did not have such financial instruments.
(c) At fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments). As at 31 December 20221 and 2021, the Company did not have such financial instruments.
(d) At fair value through profit or loss. As at 31 December 2022 and 2021, the Company did not have such financial instruments.

<u>Financial asset at amortised cost (debt instruments)</u>

The Company measures financial assets at amortised cost, if the two conditions are met:
(i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

3. Summary of Significant Accounting Policies (continued)

(ii) Contractual terms and conditions of financial asset allow for obtaining cash flows, on certain dates, which are solely the payments of the principal or the interest on the outstanding principal.

Financial assets measured at amortised cost are subsequently accounted for by applying the effective interest method (EIR) less impairment losses. Gain or loss is recognised in the statement of comprehensive income when the asset is derecognised, modified or impaired.

The Company’s financial assets at amortised cost includes trade, other current and non-current receivables, loans granted.

Impairment of financial assets

In general, IFRS 9 requires the Company to recognize expected credit losses (ECLs) for all debt instruments that are not measured at fair value through profit or loss. ECLs are based on the difference between all contractual cash flows and all the cash flows that the Company expects to receive, discounted at the approximate original effective interest rate. ECLs are recognised in two stages.
For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).
For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises an impairment loss based on lifetime ECLs at each reporting date.

(a) Assessment of impairment of trade receivables and contract assets
Based on the Company’s management assessment, trade receivables and contract assets do not include a significant financing component and are accordingly measured for impairment using the simplified method, i.e. management makes an individual assessment of expected credit losses for each important customer taking into account its credit history, future factors and subjective risk factors related to the borrower. To assess all other receivables the Company uses the expected loss rate matrix which is based on historical credit loss analysis and adjusted to reflect future factors specific to borrowers and the economic environment.

(b) Estimation of the impairment of loans granted
The Company grants loans to the Group companies with a fixed maturity as it is disclosed in Note 17. For assessment of impairment of loans granted the expected 12-months credit losses are assessed and accounted upon issue of the loan. In subsequent periods, given the absence of significant increase in the credit risk associated with the debtor, the Company reassesses the 12-months ECL balance based on the loan amount still outstanding as of the date of the re-assessment. If it is determined that the financial position of the debtor has significantly deteriorated compared to the position prevailing at the time of the loan issue, the Company accounts for all the ECLs over the remaining life of the loan. Loans subject to assessment of lifetime ECLs are considered to be credit-impaired financial assets.

The Company considers a financial asset in default when contractual payments are 90 days past due or when indications exist that the debtors or a group of debtors are experiencing significant financial difficulty, they breach the contract (such as a default or delinquency in interest or principal payments), there exists a probability that they will enter bankruptcy or other financial reorganisation, and in cases where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

ECLs for loans and trade receivables is accounted for through profit/loss using allowance for doubtful debts. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3. Summary of Significant Accounting Policies (continued)

Financial liabilities

Initial recognition and measurement:
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans received and payables. All financial liabilities are recognised initially at fair value and, in the case of loans received and payables, net of directly attributable transaction costs. The Company’s financial liabilities include trade and other payables, loans received, including bank overdrafts.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below.
Loans received and other payables

After initial recognition, loans and other payables are carried at amortised cost using the effective interest method (EIR). Gains and losses are recognised in the statement of comprehensive income, when the liabilities are written off or amortised. Amortised cost is calculated by reference to the discount or premium on acquisition, as well as taxes or costs that are an integral part of the EIR. EIR amortization is included in financial expenses in the statement of comprehensive income.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, i.e. to realise the assets and settle the liabilities simultaneously.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where appropriate, a part of a financial asset or part of a group of similar financial assets) is derecognised (i.e. it is removed from the statement of financial position of the Company) when:
(i) the contractual rights to receive cash flows from the financial asset have expired; or
(ii) the Company has transferred its contractual rights to receive cash flows from the financial asset; or undertakes to remit, without material delay, any cash flows received to a third party under a transfer agreement and (a) has transferred substantially all risks and rewards of the asset, or (b) has neither transferred, nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Once the Company transfers the contractual rights to receive the cash flows of the financial asset or enters into a qualifying pass-through arrangement with a third party, the Company evaluates whether and to what extent it retains the risks and rewards of ownership of the financial asset. When the Company neither transfers nor retains substantially all the risks and rewards of the asset nor transfers control of the asset, the asset is recognised to the extent of the Company’s continuing involvement in the asset. In this case, the Company also recognizes the associated liability. The transferred asset and associated liability are measured based on the rights and obligations retained by the Company.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower amount of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay (the amount of the guarantee).

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When a present financial liability is swapped with other liability to the same lessor, although, upon other conditions or when the present liability terms are substantially changed, this change is recognized as initial derecognition and establishment of a new liability. The difference between respective balance values is recognised in the statement of comprehensive income.

3. Summary of Significant Accounting Policies (continued)

3.3 Property, Plant and Equipment

Items of property, plant and equipment except for land and buildings are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method over the assessed useful life of an asset.

Land and buildings are carried at revalued amount which is their fair value as at the revaluation date less subsequently accumulated depreciation and impairment. Revaluations are carried out regularly ensuring that the carrying amount of land and buildings do not significantly differ from their fair values as at reporting date.

The fair value of land and buildings is established by certified independent real estate appraisers. The revaluation reserve of land and buildings is reduced by an amount equal to the difference between the depreciation based on the revalued carrying amount and the depreciation based on the original cost of the land and buildings each year and is transferred directly to retained earnings or loss.

In case of revaluation, when the estimated fair value of the assets exceeds their residual value, the residual value is increased to the fair value and the amount of increase is included into revaluation reserve of property, plant and equipment as other comprehensive income in equity. However, such increase in revaluation is recognised as income to the extent it does not exceed the decrease of previous revaluation recognised in profit or loss. Depreciation is calculated from the depreciable amount which is equal to acquisition cost or revaluated amount less residual value of an asset.

The accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal or recognising regular depreciation charge, any revaluation surplus relating to the particular asset being depreciation or sold is transferred to retained earnings.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to qualifying assets are capitalised.

When components of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The residual value of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives of the assets are the following:

- Buildings and structures 8–40 years
- Plant and equipment 5–10 years
- Vehicles 5–10 years
- Fixtures and fittings 3–6 years

Depreciation methods, residual values and useful lives are reviewed at each reporting date.

Gains and losses on disposal are determined by comparing the proceeds from disposal with the residual value of property, plant and equipment and are recognised net within other income or expenses. When revalued assets are sold or reclassified, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

3. Summary of Significant Accounting Policies (continued)

3.4 Intangible assets

Software and other intangible assets, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful life is 3 years. The Company does not have any intangible assets with infinite useful life.

3.5 Investment Property

Investment property of the Company consist of buildings that are held to earn rentals or for capital appreciation, rather than for use in the production, or supply of goods, or services or for administration purposes, or sale in the ordinary course of business.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property are included in the profit or loss in the period in which they arise.

Acquisition cost includes expenditure that is directly attributable to the acquisition of the assets. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable

to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to qualifying assets are capitalised.

Investment property is derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, plant and equipment, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property, plant and equipment is reclassified to investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

3.6 Leased Assets and Lease Liabilities

<u>A. Company as a lessee</u>

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company (as a lessee) applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

<u>Right of use assets</u>
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of the initial measurement of the lease liability, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:
• Cars 3 years

3. Summary of Significant Accounting Policies (continued)

3.6 Leased Assets and Lease Liabilities (continued)

• Buildings and structures 5 years
If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the estimates of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company apply the short-term lease recognition exemption to its non-current-asset (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(B) The Company as a lessor:

The Company’s buildings that are leased under the operating lease agreements are accounted in the statement of financial position as *investment property*. Lease income is recognised on a straight line basis over the lease period.

3.7 Investments in Subsidiaries and Joint Arrangements

Investments in subsidiaries are accounted for at cost less impairment.

A joint arrangement is an arrangement of which two or more parties have joint control. These arrangement has the following characteristics:

- The parties are bound by a contractual arrangement.
- The contractual arrangement gives two or more of those parties joint control of the arrangement.

The Company has a joint arrangement that is a joint operation (Note 16).

As a joint operator the Company recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

3. Summary of Significant Accounting Policies (continued)

3.8 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out (FIFO) principle, and includes expenditure incurred in acquiring the inventories, production and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Inventories related to ongoing construction projects are accounted for under inventories caption in the statement of financial position until inventories are used in construction process and further are accounted for as cost of sales. Project related inventories’ accounting policy is the same as stated above.

Unrealisable inventory is fully write-off.

3.9 Cash and Cash Equivalents

Cash includes cash on hand and cash at banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of 3 months or less and that are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and in current bank accounts, as well as deposits in bank with original term equal to or less than 3 months.

3.10 Impairment of Non-Financial Assets

The carrying amounts of non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

The recoverable amount is the greater of the asset’s value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash flows of other assets or groups of assets.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. An impairment loss on a non-revalued asset is recognised in profit or loss. However, an impairment loss on a revalued asset is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Such an impairment loss on a revalued asset reduces the revaluation surplus for that asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

3.11 Dividends

Dividends are recognised as a liability in the period in which they are declared.

3.12 Provisions

A provision is recognised in the statement of financial position if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows to their present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3. Summary of Significant Accounting Policies (continued)

3.12 Provisions (continued)

A provision for warranties is recognised when the underlying construction services are sold, i.e. assurance type warranties, as the Company does not grant additional warranties to the customers. The provision is based on historical warranty costs data and probabilities.

3.13 Employee benefits

The Company does not have any defined contribution and benefit plans and has no share-based payment schemes. Post-employment obligations to employees retired on pension are borne by the State.

In accordance with the requirements of the Labour Code of the Republic of Lithuania, each employee leaving the Company at the age of retirement is entitled to a one-off payment amounting to two-month salary. Previously incurred service costs are recognised as expenses on a straight-line basis over the average period until the benefits become vested. Any gains or losses appearing as a result of changes in terms of benefits (curtailment or settlement) are recognised in the statement of comprehensive income as incurred. Current year cost of employee benefits is recognised as incurred in the statement of comprehensive income. The above mentioned employee benefit obligation is calculated based on actuarial assumptions, using the projected unit credit method. Obligation is recognised in the statement of financial position and reflects the present value of these benefits on the preparation date of the statement of financial position. Present value of the non-current obligation to employees is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and similar maturity as the employment benefits. Actuarial gains and losses are recognised in other comprehensive income as incurred.

Short-term employee benefits are recognised as a current expense in the period when employees render the services. These include salaries and wages, social security contributions, bonuses, paid holidays and other benefits.

3.14 Revenue

<u>Revenue from contracts with customers</u>

The Company's primary business activity is the construction of buildings, structures, plant and equipment and communication facilities. Revenue from contracts with customers is recognised at the amount to which the entity expects to be entitled to in return for the sale of goods or services when a control of goods or services is transferred to the customer. Generally, the Company does not have significant variable components of remuneration in its contracts with customers.

The Company has concluded that generally it is the principal in its construction services contracts even when the subcontractors are used in the implementation of the projects, because the Company:
- controls the goods and services before transferring them to the customer;
- is responsible for the overall performance of the contract with the customer and is exposed to the risk of default;
- the entity has discretion in establishing the price.

Performance obligations arising from the construction contracts with customers are fulfilled over time and respectively revenue from the construction and installation services are recognised over time if any of the following criteria are met: (a) the customer simultaneously receives and consumes the benefits provided by the Company's performance; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

When the Company can reasonably measure its progress towards complete satisfaction of the performance obligation, the Company recognises revenue and expenses in relation to each construction contract over time, based on the progress of performance. The progress of performance is assessed based on the proportion of the costs incurred in fulfilling the contract up to date over to the total estimated costs of the construction contract.

When the outcome of a contract cannot be estimated reliably (for example, in the early stages of a contract), only the portion of the contract costs incurred that is expected to be recovered is recognised as revenue

3. Summary of Significant Accounting Policies (continued)

3.14 Revenue (continued)

Contract modification (scope or price or both) are accounted for as a separate contract if the scope of the contract increases because of the addition of promised goods or services that are distinct and the price of the contract increases by an amount of consideration that reflects the Group’s stand-alone selling prices of the additional promised goods or services in the circumstances of the particular contract. Otherwise the contract modification is accounted as (a) termination of the existing contract and the creation of a new contract, if the remaining goods or services are distinct from the goods or services transferred on or before the date of the contract modification, or (b) part of the existing contract if the remaining goods or services are not distinct and, therefore, form part of a single performance obligation that is partially satisfied at the date of the contract modification. The effect that the contract modification has on the transaction price, and on the Company's measure of progress towards complete satisfaction of the performance obligation, is recognised as an adjustment to revenue (either as an increase in or a reduction of revenue) at the date of the contract modification.

Provisions for loss making contracts are recognised when the Company has a present obligation (legal or constructive) to complete the construction contract for the third party for the price that is lower than the total estimated cost to perform the contract as of the date of the financial statements. The difference between the contract price and the total estimated cost of delivery under the contract is recognised in the statement of comprehensive income at the reporting date. Where the contract costs are expected to exceed contract revenue, the loss is recognised immediately in profit or loss. When performing the contracts the Company may receive short-term prepayments from its customers. Applying the practical expedient, the Company is not adjusting the price allocation by the financing component, if at the inception of the contract it is expected that the time period from the customer payment for goods/services until the delivery of these goods/services will not exceed one year.

<u>Balances under contract</u>

Contract assets

Contract asset is the right of the Company to remuneration in exchange for the goods or services that have been transferred to the customer. If the Company performs the contract by transferring goods or services to a customer before the customer pays consideration or before the Company’s right to amount of consideration is unconditional, the Company reports such a right to consideration as a contract asset, except for any amounts reported as receivables.

Receivables

Receivable represents the Company’s right to an amount of consideration that is unconditional, i.e., only the passage of time is required before payment of the consideration is due. Receivables are accounted for in accordance with IFRS 9 (Note 3.2).

Contract liability

A contract liability is the Company’s obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. Contract liability is recognised as revenue when the Company performs under the contract.

Revenue from the sale of other services or goods is recognised when the services are rendered or control of the inventory is transferred, but such transactions are relatively insignificant.

3.15 Finance Income and Expense

Financial income comprises interest income and dividend income. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Company’s right to receive payment is established. Financial costs comprise interest expense and other financial expenses. All borrowing costs are recognised using the effective interest method. Foreign currency gains and losses are reported on a net basis in profit or loss.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. Other borrowing costs are expensed as incurred.

3. Summary of Significant Accounting Policies (continued)

3.16 Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date.

Deferred taxes are calculated using the balance sheet liability method. Deferred tax is recognised, providing for temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the date of the statement of financial position.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Starting from 1 January 2014, the tax loss carried forward cannot exceed 70% of the taxable profit of current financial year in Lithuania. Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the company changes its activities due to which these losses were incurred except when the entity does not continue its activities due to reasons which do not depend on the Company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and can only be used to reduce the taxable income earned from the transactions of the same nature.

3.17 Earnings per Share

The Company presents basic and diluted earnings per share (EPS) data. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, such as convertible notes and share options granted to employees.

The Company has no dilutive potential ordinary shares. The diluted earnings per share are the same as the basic earnings per share.

3.18 Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. An operating segment’s operating results are reviewed regularly by management of the Company to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. For management purpose, the Company is considered as a single construction activity business segment. Due to this no additional disclosures are presented in these financial statements regarding segments on the Company level.

In 2022 and 2021, the Company also does not distinguish geographical segments, as the Company’s income from foreign countries did not account for more than 10% of the total income and most of its non-current assets are also located in Lithuania.

3.19 Determination of Fair Value

A number of the Company’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has

3. Summary of Significant Accounting Policies (continued)

access at that date. The fair value of a liability reflects its non-performance risk. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

3.19 Determination of Fair Value (continued)

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair values have been determined for measurement and/or disclosure purposes based on the methods and assumptions described in Notes 13, 15, 16 and 29. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

3.20 Offsetting

When preparing the financial statements, assets and liabilities as well as revenues and expenses are not set off except for the cases where the International Financial Reporting Standards specifically require such offsetting.

4. Financial Risk Management

Overview

The Company has exposure to the following financial risks: credit risk, liquidity risk and market risk. This note presents information about the Company’s exposure to each of these risks, the Company’s objectives, policies and processes for measuring and managing risk, and the Company’s management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board has overall responsibility for the establishment and oversight of the Company’s risk management framework. The Company’s risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company’s activities. The Company aims to develop a disciplined and constructive control environment in which all employees understand their roles and liabilities.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty fails to meet its contract liabilities, and arises principally from the Company’s trade receivables and loans granted.

The Company controls credit risk by credit policies and procedures. The Company has established a credit policy under which each new customer is analysed for creditworthiness before the standard payment terms and conditions are offered. Customers that fail to meet the benchmark creditworthiness may transact with the Company only on a prepayment basis.

The measure of credit risk is the maximum credit risk for each class of financial instruments, which is equal to their carrying amount. The maximum amount of exposure to credit risk in relation to particular classes corresponds to their carrying amount.

4. Financial Risk Management (continued)

The maximum exposure to credit risk is set out below:

(EUR thousand)	2022	2021
Trade Receivables and Contract Assets	18,450	14,860
Loans granted	7,312	7,194
Cash and cash equivalents	5,013	5,795
Total	**30,775**	**27,849**

Trade receivables and contract assets:

(EUR thousand)	2022	2021
Municipalities and state institutions	6,266	3,305
Legal persons	12,184	11,555
Total trade receivables and contract assets	**18,450**	**14,860**

In the statement of financial position, trade receivables and contract assets (i.e. accrued income on the stage of completion) are accounted for under the caption “Non-current and current trade receivables and contract assets”, as disclosed in Note 19.

Breakdown of the largest credit risks related to trade receivables and contract assets by customers as at the reporting date:

(EUR thousand)	2022	%	2021	%
Client 1	3,635	19.8	2,099	14.1
Customer No 2	2,028	11.0	1,692	11.4
Customer No 3	1,848	10.0	925	6.2
Customer No 4	1,685	9.1	826	5.6
Customer No 5	644	3.5	763	5.1
Customer No 6	620	3.4	468	3.1
Customer No 7	534	2.9	467	3.1
Other customers	7,582	41.0	7,750	52.3
Impairment	(126)	(0.7)	(130)	(0.9)
Total	**18,450**	**100**	**14,860**	**100**

Breakdown of trade receivables and contract assets by geographic regions:

(EUR thousand)	2022	2021
Local market (Lithuania)	18 267	14 375
Latvia	183	485
Total	**18 450**	**14 860**

Ageing of (gross) trade receivables as at the reporting date can be specified as follows:

(EUR thousand)	2022	Impairment	2021	Impairment
Not overdue	15,931		11,946	
Overdue 0-30 days	1,142		1,857	
Overdue 30-90 days	1,255		1,016	
More than 90 days	248	126	171	130
Total	**18,576**	**126**	**14,990**	**130**

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables.

4. Financial Risk Management (continued)

The main components of this allowance are specific losses that relate to individually significant accounts receivable and expected credit losses recognised using ECLs method (in line with IFRS 9). Methodology used for establishing the allowance is reviewed regularly to reduce any differences between loss estimate and actual loss experienced.

Maturity and ageing of loans granted is presented in Note 17.

Following removal of the subsidiary OOO Baltlitstroj from the register on 25 November 2022, the Company's other current assets were written off, since were fully impaired as at 31 December 2021 (Note 20).

Cash and cash equivalents comprise cash on hand and at bank; therefore, the related credit risk is relatively low.

Apart from the impairment already recognised as at 31 December 2022, the management considers that there is no risk of material loss to the Company.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Typically, the Company ensures that it has sufficient cash on demand to meet expected operating expenses, including the servicing of borrowings;

On 20 February 2023, the agreement was signed with the Tax Authority on the payment of the fine imposed in equal instalments over period of four years. The liabilities are classified as current until the agreement is approved by the court.

Payment terms of financial liabilities, including calculated interest, as to the agreements, as at 31 December 2022 are presented below:

(EUR thousand)	Carrying amount	Contractual net cash flows	Up to 6 months	More than 6 months
Liabilities				
Trade payables	13,979	13,979	13,979	0
Lease liabilities	704	704	146	558
Liabilities related to the fine imposed by the Competition Council*	5,775	5,775	5,775	0
Total	**20,458**	**2,0458**	**19,900**	**558**

* The full amount of the fine is presented as payable within six months because, as described above, when preparing these financial statements, the management was guided by the judgement that the Company does not yet have a court settlement signed with the Tax Authority. The Company currently pays the said fine in equal parts for a period of four years (with additional interest).

Payment terms of financial liabilities, including calculated interest, as to the agreements, as at 31 December 2021 are presented below:

(EUR thousand)	Carrying amount	Contractual net cash flows	Up to 6 months	More than 6 months
Liabilities				
Trade payables	11,811	11,811	11,811	0
Lease liabilities	977	9,77	146	831
Liabilities related to the fine imposed by the Competition Council*	8,542	8,542	8,542	0
	21,330	**21,330**	**20,499**	**831**

* The full amount of the fine is presented as payable within six months because, as described above, when preparing the financial statements for the year 2021, the management was guided by the judgement that the Company does not yet have an irrevocable contractual right to defer the payment until the settlement agreement is signed with the Tax Authority, but the Company currently paying the said fine in equal parts for a period of eight years (without additional interest).

4. Financial Risk Management (continued)

On 17 June 2021, an overdraft agreement was signed with bank with the limit of EUR 5 million. As at 31 December 2022 overdraft limit was not used (Note 23).

Change in Liabilities Arising from Financing Activities

(EUR thousand)	**As at 31/12/2021**	Accrued	Cash flow in/out	Other	**As at 31/12/2022**
Loans received	0	0	0	0	0
Dividends payable	29	0	(1)	0	28
Lease liabilities	981	0	(277)	0	704
Total	**1,010**	**0**	**(278)**	**0**	**732**

Market risk

Market risk is the risk that changes in market prices, such as changes in foreign currency rates and interest rates will affect the results of the Company. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. As at 31 December 2022 and 2021, the Company did not use any derivatives.

Currency risk. The Company is exposed to the significant risk of changes in foreign currency rates, since sales and receivables, purchases, payables and borrowings are denominated in a currency other than the functional currency are not material. The majority of monetary assets and liabilities as at 31 December 2022 and 2021 were denominated in EUR.

Interest rate risk. The Company's issued and received loans and borrowings are subject to variable interest rates linked to EURIBOR. No financial instruments are used to manage the risk. Taking into consideration the current level of issued loans, the change of interest rate would not have a material effect as disclosed below.

The Company's financial assets and borrowings subject to variable interest rates outstanding as of 31 December 2022 were as follows:

	Contract currency	2022	2021
Long-term loans granted	EUR thousand	5,954	5,799
Short-term loans granted	EUR thousand	1,358	1,395
Total		**7,312**	**7,194**
Loans received (overdraft)	EUR thousand	0	0
Total		**0**	**0**

With an increase in the interest rate by 0.5% as at 31 December 2022, the Company's net profit would increase by approximately EUR 28 thousand. With an increase in the interest rate by 0.5% as at 31 December 2021, the Company's net profit would increase by approximately EUR 35 thousand.

Capital management

The policy of the Board is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital and proposes the level of dividends to ordinary shareholders based on the Company's financial results and strategic plans.

The Board also aims to keep balance between higher return, which could be available if there was higher level of borrowed "funds" and security, which is provided by higher level of equity. The Company adheres to the requirement set in the Law on Companies of the Republic of Lithuania under which the equity of the Company must not be less than ½ of the issued capital. As at 31 December 2022 and 2021, the Company was in line with this regulation. The Company's capital management policy did not change during the year.

For capital management purpose, capital consists of share capital, retained earnings, revaluation reserve and legal reserve.

5. Revenue from Contracts with Customers

Revenue is derived from construction-installation work (approx. 99% in 2022 and 97% in 2021).

(EUR thousand)	2022	2021
Lithuania	78,443	63,863
Latvia	779	1,858
Sales in total	**79,222**	**65,721**

Revenue from the largest external customer of the Company in 2022 amounted to approximately EUR 18,214 thousand (in 2021: EUR 8,406 thousand) of the Company’s total revenues.

In 2022, the Company recognised EUR 674 thousand of revenue from contracts with customers that were included to the balance of contract liabilities at the beginning of the period (in 2021: EUR 1,731 thousand).

Information on contracts outstanding at the end of the financial year is disclosed in Note 19.

6. Cost of sales

(EUR thousand)	2022	2021
Construction sub-contractors	41,919	33,162
Raw materials and consumables	16,136	11,183
Payroll expenses (Note 9)	9,582	8,814
Depreciation charge	391	509
Amortisation charge	4	13
Machinery expenses	2,856	1,335
Rent expenses (short term lease)	1,550	1,304
Onerous contracts	515	0
Other expenses	4,113	3,568
Total cost of sales	**77,066**	**59,888**

7. Selling expenses

(EUR thousand)	2022	2021
Advertising and other expenses	31	56
Payroll expenses (Note 9)	306	299
Total selling expenses	**337**	**355**

8. Administrative expenses

(EUR thousand)	2022	2021
Payroll expenses (Note 9)	4,615	4,325
Purchased services for administrative use	1,425	1,015
Rent expenses	305	254
Depreciation charge	226	279
Operating taxes other than income tax	121	103
Sponsorship	12	4
Amortisation charge	19	17
Total expenses of impairment (reversal of impairment) of trade receivables, contract assets and other receivables:	**(68)**	**(235)**
Impairment (reversal of impairment) of trade receivables (Note 19)	(13)	(18)
Impairment of other receivables	(55)	(217)
Other expenses	142	305
Total administrative expenses	**6,797**	**6,067**

9. Payroll expenses

(EUR thousand)	2022	2021
Wages and salaries	12,834	11,670
Social security contributions	244	224
Daily allowances and incapacity benefits	1,098	1,085
Change in accrued vacation reserve and bonuses	277	489
Change in pension provision (Notes 25 and 27)	67	(13)
Total salary related expenses	**14,520**	**13,455**
Recognised in:		
Cost of sales	9,582	8,814
Administrative expenses	4,615	4,325
Selling expenses	306	299
Other operating expenses	17	17
Total salary related expenses	**14,520**	**13,455**

10. Other Income and Expenses

(EUR thousand)	2022	2021
Gain from sale of property, plant and equipment	29	163
Rental income (Note 15)	413	324
Gain on revaluation of assets	346	70
Other revenue	644	428
Total other income	**1,432**	**985**
Depreciation of rented premises	(132)	(30)
Other expenses	(488)	(482)
Total other expenses	**(620)**	**(512)**
Total other income and expenses, net	**812**	**473**

11. Finance Income and Expense

(EUR thousand)	2022	2021
Interest income	231	555
Interest expenses, related to penalty imposed by the Competition Council (Note 28)	1,133	0
Other finance income	824	402
Total finance income	**2,188**	**957**
Loan interest expenses	(102)	(256)
Foreign currency exchange loss	0	(1)
Other expenses	(24)	(82)
Total finance expense	**(126)**	**(339)**
Total finance income and expense, net	**2,062**	**618**

12. Income tax

Income tax expenses (benefit):

(EUR thousand)	2022	2021
Current income tax expense	0	0
Change in deferred tax	(384)	198
Total income tax expense	**(384)**	**198**

12. Income Tax (continued)

In 2022 and 2021, the Company applied a standard 15% rate in Lithuania, a 22% rate in the Kingdom of Sweden and 0% rate in Latvia. Reconciliation of effective tax rate:

(EUR thousand)	2022		2021	
Profit (loss) before tax		(2,104)		502
Income tax expense (benefit) applying the Company’s tax rate in Lithuania	15.0%	(316)	15.0%	75
Non-deductible expenses		111		(69)
Non-taxable income		(419)		(6)
Change in deferred tax asset’s realisation allowance		(240)		198
	(18.3)%	**(384)**	**39.44%**	**198**

Deferred tax:

(EUR thousand)	2022		2021	
	Temporary differences	Deferred tax	Temporary differences	Deferred tax
Impairment of trade and other receivables	184	28	2,408	361
Accrued bonuses	222	33	390	59
Pension provision	296	44	228	34
Vacation reserve	28	4	23	3
Warranty provision	471	71	702	105
Inventory write-off to net realisable value	75	11	57	9
Tax loss carry forward (indefinite period)	5,225	785	2,638	396
Onerous contracts	515	77	0	0
Total deferred tax assets		**1,053**		**967**
Not recognised deferred tax assets (trade receivable allowance)		**(9)**		**(342)**
Deferred tax asset recognised		**1,044**		**625**
Revaluation of land and buildings	(2,394)	(359)	(1 340)	(201)
Difference in investment property value	(1,557)	(234)	(1 167)	(175)
Deferred tax liability		**(593)**		**(376)**
Deferred tax, net		**451**		**249**

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Part of deferred tax has not been recognised due to uncertainty of deferred tax realisation.

Change in deferred income tax:

(EUR thousand)	2022	2021
Net deferred tax as at 1 January	249	447
Amounts recognised in other comprehensive income	(182)	0
Recognised in profit or loss	348	(198)
Net deferred tax as at 31 December	**451**	**249**

The Company does not recognise deferred tax in respect of taxable temporary differences associated with investments in subsidiaries as the Company controls timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

13. Property, Plant and Equipment

(EUR thousand)	Land and buildings	Machinery and equip-ment	Vehicles	Fixtures and fittings	Total
Cost (revalued carrying amount of land and buildings)					
Balance as at 1 January 2022	2,598	2,614	1,740	603	7,555
Additions	108	37	19	81	245
Revaluation of assets	1,134				1,134
Reclassification					0
Asset written-off		(57)		(138)	(195)
Balance as at 31 December 2022	3,840	2,594	1,759	546	8,739
Balance as at 1 January 2021	2,684	2,756	1,875	740	8,055
Additions	27	18	89	109	243
Reclassification from investment property					
Reclassification	(113)				(113)
Asset written-off		(160)	(224)	(246)	(630)
Balance as at 31 December 2021	2,598	2,614	1,740	603	7,555
Depreciation and impairment					
Balance as at 1 January 2022	500	2,048	1,279	290	4,117
Depreciation for the year	150	296	188	129	763
Impairment (reversal of impairment)					
Depreciation of asset written-off		(57)	0	(135)	(192)
Balance as at 31 December 2022	650	2,287	1,467	284	4,688
Balance as at 1 January 2021	432	1,791	1,119	380	3,722
Depreciation for the year	270	352	246	152	1,020
Impairment (reversal of impairment)	(202)				(202)
Depreciation of asset written-off		(95)	(86)	(242)	(423)
Balance as at 31 December 2021	500	2,048	1,279	290	4,117
Residual value					
As at 1 January 2022	**2,098**	**566**	**461**	**313**	**3,438**
As at 31 December 2022	**3,190**	**307**	**292**	**262**	**4,051**
As at 1 January 2021	**2,252**	**965**	**756**	**360**	**4,333**

13. Property, Plant and Equipment (continued)

(EUR thousand)	2022	2021
Depreciation recognised in:		
Cost of sales	391	509
Operating expenses	226	279
Other expenses	146	30
Total depreciation	**763**	**818**

Land and buildings are stated at revalued amount. The last external revaluation was performed as on 31 December 2022 based on the estimates on possible market prices of the Company's land and buildings provided by independent appraisers, having appropriate recognised professional qualifications and necessary experience in valuation of property at certain location and of certain category. The valuation was performed using the comparable value approach. Significant unobservable data was used in fair value measurement, i.e. price per square meter/are. The fair value would increase with an increase in price per square meter/are and decrease with a decrease in price per square meter/are.

If the buildings and land were stated at cost model, their net book value as at 31 December 2022 would be equal to EUR 1,638 thousand (as at 31 December 2021: EUR 1,637 thousand).

As at 31 December 2022, the acquisition cost of fully depreciated but still in use assets amounted to EUR 2,108 thousand, (as at 31 December 2021: EUR 1,376 thousand).

As at 31 December 2022, land and buildings with the carrying amount of EUR 3,272 thousand were pledged to banks (as at 31 December 2021: EUR 2,483 thousand) (see Note 28).

14. Intangible assets

(EUR thousand)	Software	Other assets	Total
Cost			
Balance as at 1 January 2022	221	0	221
Additions	3		3
Asset written-off	(22)		(22)
Balance as at 31 December 2022	202	0	202
Balance as at 1 January 2021	255	1	256
Additions	10		10
Asset written-off	(44)	(1)	(45)
Balance as at 31 December 2021	221	0	221
Amortisation and impairment			
Balance as at 1 January 2022	38	(1)	37
Amortisation charge for the year	22	1	23
Amortisation of asset written-off	(22)		(22)
Balance as at 31 December 2022	38	0	38
Balance as at 1 January 2021	52	0	52
Amortisation charge for the year	30		30
Amortisation of asset written-off	(44)	(1)	(45)
Balance as at 31 December 2021	38	(1)	37
Residual value			
As at 1 January 2022	**183**	**1**	**184**
As at 31 December 2022	**164**	**0**	**164**
As at 1 January 2021	**203**	**1**	**204**

14. Intangible Assets (continued)

(EUR thousand)	2022	2021
Amortisation recognised in:		
Cost of sales	4	13
Administrative expenses	19	17
Total amortisation	**23**	**30**

The Company did not have any intangible assets fully amortised but still in use neither as at 31 December 2022, nor as at 31 December 2021.

15. Investment Property

(EUR thousand)	2022	2021
Balance as at 1 January	3,396	3,213
Reclassification from (to) property, plant and equipment	130	113
Change in fair value	215	70
Balance as at 31 December	**3,741**	**3,396**

In 2015, the Company acquired a 14-floor hotel *Panevėžys* located in Panevėžys, 16.74% of which is rented out to third parties, and the rest of the hotel is not used. The Company has no detailed plans regarding the use of the remaining part of the building yet; however, the building is not planned to be further used in the Company’s activities; therefore, the whole building is classified as an investment property.

The fair value measurement has been determined by valuation of the building carried out by the independent property appraisers UAB Ober-Haus, having appropriate professional qualification and relevant valuation experience. The discounted cash flow method was used in the valuation (discount rate – 9%, exit yield – 7%, occupation rate 80–90%; the same assumptions were used in 2022 and 2021). If the discount rate would increase by 1% (remaining assumptions would not be changed), then investment property fair value would decrease by approx. EUR 105 thousand, and if exit yield would increase by 1% (remaining assumptions would not be changed), the fair value of investment property would decrease by EUR 102 thousand.

The identified fair value of the above investment property of EUR 1,550 thousand (in 2021: EUR 1,420 thousand) was attributed to Level 3 in the fair value hierarchy.

At the end of the financial year, future minimum lease payments receivable under non-cancellable lease agreements were the following: EUR 171 thousand in less than one year, EUR 112 thousand between one and five years (as at 31 December 2021: EUR 123 thousand in less than one year, EUR 165 thousand between one and five years). Revenue from the hotel premises rent in 2022 amounted to EUR 123 thousand (in 2021: EUR 102 thousand) and was accounted for under other income (see Note 10).

In addition, the Company reclassified the operational buildings, storages and other premises, leased to both subsidiaries and third parties, to investment property. Calculated fair value of these buildings as at 31 December 2018 amounted to EUR 1,350 thousand, which was evaluated in accordance with the reports of independent real estate appraisers and a percentage of leased space. The assessment of assets was carried out by UAB corporation Matininkai. Assets were evaluated using comparable and income methods, with regard to the larger value. An average discount rate of 11.91% was applied to income method in accordance with weighted average cost of capital. The latter investment property was attributed to Level 3 in fair value hierarchy. The management assessed that the fair value of the investment property did not change significantly.

Expected rental receivables of this investment property under uncancellable contracts as at 31 December 2022 amounted to: EUR 355 thousand in less than one year, EUR 469 thousand between one and five years (as at 31 December 2021: EUR 281 thousand in less than one year, EUR 490 thousand between one and five years). Revenue from lease in 2022 amounted to EUR 332 thousand (in 2021: EUR 324 thousand) and was accounted for under other income.

16. Investments in subsidiaries and joint operations

(a) Subsidiaries

(EUR thousand)	2022		2021	
Subsidiary	Ownership interest	Cost	Ownership interest	Cost
UAB PST Investicijos, Verkių st. 25C, Vilnius	68.3 %	8,878	68.3 %	8,878
UAB Šeškinės Projektai, Verkių st. 25C, Vilnius	100 %	1,600	100 %	1,600
UAB Ateities Projektai, Verkių st. 25C, Vilnius	100 %	400	100 %	400
UAB Tauro Apartamentai, Verkių st. 25C-1, Vilnius	100 %	2	100 %	2
UAB Metalo Meistrai, Tinklų st. 7, Panevėžys (comb.)	-	-	100 %	24
UAB Hustal, Tinklų st. 7, Panevėžys	100 %	34	100 %	10
UAB Vekada, Marijonų st. 36, Panevėžys	95.6 %	225	95.6 %	225
UAB Skydmedis, Pramonės st. 5, Panevėžys	100 %	145	100 %	145
UAB Alinita, Tinklų st. 7, Panevėžys	100 %	70	100 %	70
SIA PS Trests, Skultes iela 28, Skulte, Marupes nov., Latvia	100 %	4	100 %	4
Kingsbud Sp.z.o.o, A. Patli st. 12, 16-400 Suwalki, Poland	100 %	1	100 %	1
OOO Teritorija, Lunačiarsko ave. 43/27, Cherepovec, Vologda, Russian Federation – removed from the register	-	-	87.5 %	0
UAB Aliuminio Fasadai, Pramonės st. 5, Panevėžys	100 %*	250	100 %*	250
Impairment:				
UAB PST Investicijos		(5,558)		(5,558)
UAB Alinita		(70)		(70)
PS Trests SIA		(4)		(4)
Total investments		**5,977**		**5,977**

Financial information on subsidiaries can be specified as follows:

Subsidiaries of AB Panevėžio Statybos Trestas:

(EUR thousand)	Type of activity	Equity As at 31 December 2022	Net profit (loss) for 2022	Equity As at 31 December 2021	Net profit (loss) for 2021
UAB PST Investicijos (consolidated group, see below)	Real estate development	4,808	33	4,848	1,341
UAB Vekada	Construction: electrical installation	988	(63)	1,013	(286)
UAB Skydmedis	Construction: wooden houses	1,507	837	1,170	570
UAB Alinita	Construction: conditioning equipment	(265)	(241)	(24)	163
UAB Hustal after business combination	Trade, construction	2,095	690	0	0
UAB Metalo Meistrai before business combination	*Construction*	*1,485*	*455*	*1,030*	*2,72*
UAB Hustal before business combination	*Trade*	*376*	*216*	*360*	*133*
UAB Aliuminio Fasadai	Production of aluminium profile systems	(191)	(120)	(71)	(173)
PS Trests SIA	Construction	(193)	(51)	(142)	21
UAB Šeškinės Projektai	Real estate development	7,615	1,337	6,242	2,084
Kingsbud Sp.z.o.o	Trade	441	183	456	125
OOO Teritorija (removed from the register)	Real estate development	0	0	(1,059)	307
UAB Ateities Projektai	Real estate development	403	204	199	(95)
UAB Tauro Apartamentai	Real estate development	3	0	3	0

16. Investments in subsidiaries and joint operations (continued)

Subsidiaries of UAB PST Investicijos:

(EUR thousand)	Ownership interest	Equity As at 31 December 2022	Net profit (loss) for 2022	Equity As at 31 December 2021	Net profit (loss) for 2021
ZAO ISK Baltevromarket	100 %	30	5,629	5,301	3,924

As at 31 December 2022 and 2021, based on the management's assessment, the investments in UAB Alinita, PS Trests SIA and OOO Teritorija were fully impaired; therefore, 100% impairment was recognised. The management determined the potential impairment indicators and assessed recoverable amount for investment into UAB PST Investicijos as at 31 December 2022 and 2021 as described below. There were no impairment indications for other investments as at 31 December 2022 and 2021.

As at 31 December 2022, UAB PST Investicijos recoverable amount was estimated as follows:

Carrying value of UAB PST Investicijos as at 31 December 2022 (cost less impairment recognised)	3,320
Other assets less liabilities at estimated fair value	1,566
Recoverable value of UAB PST Investicijos	4,886
Amount of shares controlled by AB Panevėžio Statybos Trestas	68.344%
UAB PST Investicijos recoverable value attributed to AB Panevėžio Statybos Trestas	3,340
Estimated potential impairment as at 31 December 2022.	20
Estimated impairment until 31 December 2021	**(5,558)**
Additional impairment accounted for under financial expenses in 2021	0
Total impairment for as of 31 December 2022	**(5,558)**

Since liquidation proceedings of ZAO ISK Baltevromarket, the subsidiary of UAB PST Investicijos, were initiated in Kaliningrad in September 2022, the increase in value was not recorded.

As at 31 December 2021, UAB PST Investicijos recoverable amount was estimated as follows:

Carrying value of UAB PST Investicijos as at 31 December 2021 (cost less impairment recognised)	3,312
Other assets less liabilities at estimated fair value	1,545
Recoverable value of UAB PST Investicijos	4,857
Amount of shares controlled by AB Panevėžio Statybos Trestas	68.344%
UAB PST Investicijos recoverable value attributed to AB Panevėžio Statybos Trestas	3,320
Estimated potential impairment as at 31 December 2021.	8
Estimated impairment until 31 December 2020	**(5,566)**
Additional impairment accounted for under financial expenses in 2021f2	8
Total impairment for as of 31 December 2021	**(5,558)**

Estimation of the recoverable amount of investment made by UAB PST Investicijos was mainly based on the real estate project, which was developed by ZAO ISK Baltevromarket in Kaliningrad. In April 2021, ZAO ISK Baltevromarket in Kaliningrad sold remaining land plots for EUR 7,000, using the exchange rate between euro and rubble prevailing at the date of the transaction.

16. Investments in subsidiaries and joint operations (continued)

(b) Joint operations

In 2016, the Company concluded the agreement with limited liability company SIA ARMS GROUP, Gobu iela 1-129, Baloži, Kekavas novads, Latvia, regarding joint operations and several liability for newly established general partnership enterprise PST Un Arms. General partnership enterprise PST Un Arms is established for certain project developed in Latvia. The development of the project was finalised in 2021.

Under this agreement, 50% of operating expenses, assets and liabilities of PST Un Arms belong to the Company and these amounts were included in these financial statements of the Company.

General information of PST Un Arms:

(EUR thousand)	2022	2021
Total assets	14	19
Total liabilities	3	3
Equity	11	16
Revenue	0	(33)
Net result	(5)	(24)

17. Long-term and short-term loans granted

(EUR thousand)	Interest rate	Maturity	2022	2021
OOO Baltlitstroj (loan)	Fixed at 9 %	31 December 2016	0	174
OOO Baltlitstroj loan impairment	-	-	0	(174)
Kingsbud Sp.z.o.o	Fixed at 1.5 %	31 December 2023	0	70
UAB Šeškinės Projektai	3-month EURIBOR+0.98 %, as from 05/11/2019 3-month EURIBOR+3.0%	1 July 2026	5,954	5,728
OOO Teritorija	Fixed at 12%, as from 30 November 2017 – 6%	31 December 2021	0	865
OOO Teritorija loans impairment	-	-	0	(865)
Employees	0 %	25 February 2023	0	1
Short-term loans				
UAB Ateities Projektai	6-month EURIBOR+3.0 %	31 December 2023	0	372
UAB Ateities Projektai	6-month EURIBOR+3.0%	31 December 2023	1,286	948
Kingsbud Sp.z.o.o	Fixed at 1.5 %	31 December 2023	72	70
Employees	0 %	25 February 2023	0	4
Employees	1.50 %	25 August 2022	0	1
Total			**7,312**	**7,194**

As at 31 December 2022 and 2021, the recoverability of loans was assessed under the principles disclosed in Note 3.2, and the principal assumptions that impact the assessment are the same as disclosed in Note 16.
All Company’s long term loans granted as at 31 December 2022 and 2021 were not past due.

18. Inventories

(EUR thousand)	2022	2021
Raw materials and consumables	2,223	2,202
Projects under development	3,119	2,414
Write-down to net realisable value	(75)	(57)
Total inventories	**5,267**	**4,559**

In 2022 and 2021, the change in write-down of inventory to the net realizable value was accounted for in administrative expenses.

19. Trade Receivables and Contract Assets

(EUR thousand)	2022	2021
Trade receivables	14,075	11,341
Contract assets (accrued income based on the stage of completion)	4,104	3,082
Receivables from subsidiaries	397	567
Impairment at the beginning of the year	(130)	(157)
Write-off of doubtful trade receivables	(10)	0
Repayment of doubtful trade receivables	1	9
Additional impairment/(reversal) during the period	13	18
Impairment at the end of the year	(126)	(130)
Total trade receivables and contract assets, net	**18,450**	**14,860**

The part of trade receivables due from customers is accounted for as non-current trade receivables: EUR 114 thousand as at 31 December 2022, EUR 29 thousand as at 31 December 2021. These amounts are related with non-current retentions as indicated below.

As at 31 December 2022, trade receivables include retentions (retention – a fixed percentage of the total contract price which shall be paid by the customer when the construction is completed and the bank guarantee in the amount of the retained payment is provided or warranty document of the insurance Company is provided to the customer) of EUR 3,555 thousand (as at 31 December 2021: EUR 3,775 thousand) relating to construction contracts in progress. For impairment of trade receivables refer to Note 4.

Information about customers’ specific projects in progress as at 31 December 2022 and 2021:

(EUR thousand)	2022	2021
Sales by specific customers’ projects in progress, recognised in the statement of comprehensive income during the year	65,689	39,030
Sales by specific customers’ projects in progress, recognised over the contract period	101,987	49,685
Expenses incurred for completing specific customers’ projects in progress, recognised in the statement comprehensive income during the year	62,233	36,167
Expenses incurred for completing specific customers’ projects in progress, recognised in the statement comprehensive income over the contract period	98,550	46,471
Contract assets (Note 19)	4,104	3,082
Contract liability (deferred income) under outstanding contracts at the year-end (Note 27)	3,210	674
Contract liability (payments from customers for purchase of inventories and etc.)	785	470
Provisions for onerous contracts (Note 27)	515	0
Trade receivables (under the caption of trade receivables and receivables from related parties)	12,347	6,981

As at 31 December 2022, the total contract amount attributed to performance obligations under the construction contracts with customers that were outstanding (or partly outstanding) amounted to EUR 79,160 thousand (as at 31 December 2021: EUR 78,005 thousand). Most of these construction projects are expected to be completed and revenue recognised within one year.

20. Other current assets

(EUR thousand)	2022	2021
Financial assets		
Receivables from the former subsidiary OOO Baltlitstroj related to prepayment paid to the supplier on behalf of this subsidiary	0	1,240
Impairment of receivables from OOO Baltlitstroj	0	(1,240)
Loan granted to OOO Baltlitstroj	0	174
Impairment of loans granted to OOO Baltlitstroj	0	(174)
Financial assets, total	**0**	**0**

Non-financial assets		
Excess VAT	135	171
Accrued revenue from contracts	269	0
Other current assets	0	4
Non-financial assets, total	**404**	**175**
Other current assets, total	**404**	**175**

Former subsidiary OOO Baltlitstroj, removed from the register on 25 November 2022

As at 31 December 2022 and 2021, the Company did not have any term deposits.

21. Cash and cash equivalents

(EUR thousand)	2022	2021
Cash at bank	5,013	5,793
Cash on hand	0	2
Cash and cash equivalents, total	**5,013**	**5,795**

As from 21 June 2022, the Company does not have any cash on hand.

22. Capital and reserves

The Company's issued capital consists of 16,350,000 ordinary shares with a nominal value of 29 euro cents each. The Company's issued capital is fully paid. The holders of the ordinary shares are entitled to one vote per share in the shareholders' meeting and are entitled to receive dividends as declared from time to time and to capital repayment in case of decrease of the capital. There were no changes in the issued capital in 2022 and 2021. The Company did not hold its own shares as at 31 December 2022 and 2021. As at 31 December 2022 and 2021, the subsidiaries had not acquired any shares of the Company.

The reserves were as follows:

(EUR thousand)	2022	2021
Revaluation reserve	2,034	1,139
Legal reserve	475	475
Total reserves	**2,509**	**1,614**

The revaluation reserve relates to the revaluation of land and buildings and is equal to the residual value of revaluation less the related deferred tax liability.

Dynamics in revaluation reserve:	2022	2021
Revaluation reserve as at 1 January	**1,137**	**1,270**
Revaluation	1,030	0
Depreciation of revaluation reserve	(132)	(133)
Revaluation reserve as at 31 December	**2,035**	**1,137**

Legal reserve is a compulsory reserve allocated in accordance with the legislation. An annual allocation of at least 5% of the net profit is required until the reserve is not less than 10% of the issued capital. The reserve cannot be paid out in dividends. Legal reserve at 31 December 2022 and 2021 amounted to 10% of the issued capital.

23. Loans

(EUR thousand)	Interest rate	Maturity	2022	2021
OP Corporate Bank plc. Lithuania (overdraft)	3-month EURIBOR+1.95 %	As at 30 June 2023	0	0
Total			**0**	**0**

In June 2021, the Company concluded the overdraft agreement with OP Corporate Bank plc., Lithuania branch, for EUR 5,000 thousand. As at 31 December 2022, the overdraft was not used.

24. Trade payables

Payables to suppliers by geographic region:

(EUR thousand)	2022	2021
Local market (Lithuania)	13,509	11,154
Latvia	264	591
Netherlands	145	0
Ukraine	11	4
Poland	47	55
Germany	3	7
Total	**13,979**	**11,811**

Trade payables are non-interest bearing and normally settled on 30–90 day term.

25. Provisions

Warranty provisions are related to constructions built in 2018–2022. Based on the legislation of the Republic of Lithuania, the Company has a warranty liability for construction works. The term of liability varies from 5 to 10 years after delivery of construction works, i.e. an assurance type warranty and it is not provided as the Company’s separate service. Provision for warranties is based on estimates made from historical data of actually incurred costs of warranty repairs.

Change in provisions:	Warranty 2022	Pension* 2022	Warranty 2021	Pension 2021
Provisions at the beginning of the year	**702**	**228**	**744**	**241**
Used and recognised in the cost of sales and operating costs	(430)	(33)	(191)	(21)
Accrued during the year	199	100	149	8
Provisions at the end of the year	**471**	**295**	**702**	**228**

* Represents current and non-current part of provision.

26. Right-of-Use Assets and Lease Liabilities

Dynamics of the Company’s right-of-use assets during the reporting period:

(EUR thousand)	Buildings	Cars	Total
Balance as at 1 January 2022	779	198	977
Additions	0	14	14
Asset written-off	0	0	0
Depreciation charge	(211)	(89)	(300)
Balance as at 31 December 2022	568	123	691
As at 31 January 2021	990	140	1 129
Additions	0	61	61
Asset written-off	(131)	0	(131)
Depreciation charge	(80)	(3)	(83)
Residual value as at 31 December 2021	779	198	977

The Company has long-term contracts with two lessors for lease of premises and cars.

Lease liabilities and their dynamics:

(EUR thousand)	2022	2021
Residual value at the beginning of the period	981	1 129
Contracts signed under IFRS 16	14	135
Contracts terminated (write-off of liability and accrued interest)	0	0
Accrued interest	16	26
Lease payments (principal portion and interest)	(307)	(309)
Residual value as at 31 December	**704**	**981**
Non-current lease liabilities	408	689
Current lease liabilities	296	292

The Company’s payments under leases were as follows:

(EUR thousand)	2022	2021
Minimum payments		
Within first year	308	287
From two to five years	420	726
More than five years	0	0
Total	**728**	**1 013**
Future finance costs		
Within first year	(16)	(16)
From two to five years	(8)	(16)
More than five years	0	0
Total	**(24)**	**(32)**
Residual value	**704**	**981**

27. Contract and Other Liabilities

(EUR thousand)	2022	2021
Non-financial liabilities		
Contract liability (deferred income) under contracts in progress (Note 19)	2,687	674
Contract liability (payments from customers for purchase of inventories and etc.) (Note 19)	943	470
Liabilities related to the fine imposed by the Competition Council (Note 28)	5,775	8,542
Payable VAT	0	0
Accrued vacation reserve	1,635	1,339
Salaries and related taxes payable	1,191	1,096
Bonus accrual for employees	222	390
Provisions for onerous contracts	515	0
Liabilities to subsidiary	2,734	0
Other liabilities	163	106
Other liabilities, total	**15,865**	**12,617**

28. Contingent Liabilities

Guarantees

As at 31 December 2022, the bank guarantees of EUR 10,456 thousand issued to third parties on behalf of the Group in connection with the liabilities under the construction contracts performed by the Group (in 2021: EUR 8,013 thousand). The guarantees expire in the period from 16 January 2023 to 2 March 2025. In addition, the Group has guarantees of EUR 15,503 thousand issued by insurance companies, which are also related to liabilities in the construction contracts (in 2021: EUR 13,392). The guarantees expire in the period from 1 January 2023 to 16 December 2025. No additional liabilities are recorded in respect of these guarantees in the financial statements other than estimated warranty reserve (Note 25).

Property with a carrying amount of EUR 3,272 thousand as at 31 December 2022 (EUR 2,475 thousand as at 31 December 2021) has been pledged to banks for the guarantee limit issued and guarantees issued by bank. As at 31 December 2022, the guarantee limit amounted to EUR 15,000 thousand, the used amount was EUR 10,456 thousand. The guarantee limit agreement is effective until 30 June 2023 with the possibility to issue guarantees until 30 June 2023 that would be valid for 3 years following their date of issue. Guarantees are valid for 5 years following their date of issue if the amount does not exceed EUR 1,500 thousand. As at 31 December 2021, the guarantee limit amounted to EUR 15,000 thousand, the used amount was EUR 8,013 thousand.

Legal contingencies

The Group is involved in below described material legal cases:

(1) The Competition Council has made a decision as of 20 December 2017 „UAB Regarding Irdaiva and AB PST actions in joint participation in public tenders of buildings renovation and modernization works meeting the requirements of 5th article of the Competition law of the Republic of Lithuania”. Based on the Competition Council decision, joint activity agreement signed between the Group and UAB Irdaiva for providing joint offers in 24 public tenders organized by UAB Vilniaus Vystymo Kompanija intended to limit competition and violated the requirements of Article 5(1) of the Competition Law of Republic of Lithuania. A fine was set to the Group in total amount of EUR 8,514 thousand. On 3 June 2020, the Supreme Administrative Court of Lithuania announced a non-appealable ruling on the dispute of the Group against the decision of the Competition Council. As a consequence, the Group recognised in the financial statements for the year ended 31 December 2020 the fine amounting to EUR 8,514 thousand and related interest charge amounting to EUR 1,385 thousand, and the bailiff enforcement fee amounting to EUR 396 thousand.

28. Contingent Liabilities (continued)

The Group recognised the full amounts of fine, interest and enforcement fees in its financial statements for the year ended 31 December 2020, however the management took additional legal actions to reduce the interest and the enforcement fee amounts, as further described below.

The Tax Authority informed the participants involved in the enforcement process by the letter No 21915 (individual administrative act) of 12 August 2020 on the decision to set the payment of fine and interest imposed on the Group in equal parts for a period of eight years. The Tax Authority also stated that the bailiff's enforcement fees should not be included in the payment schedule. On 20 February 2023, the Settlement Agreement was signed with the Tax Authority, with the fine payable in equal instalments over four years period.

Also, the Group’s assets with the net book value of EUR 3,394 thousand as at 31 December 2022 (in 2021: EUR 3,057 thousand) was arrested as a guarantee for fulfilment of the obligations.

The Chamber of Panevėžys of the Panevėžys District Court investigated the appeal of AB PANEVĖŽIO STATYBOS TRESTAS in a civil case No 2YT-238-1105/2021 regarding the bailiff’s orders by which the enforcement fees were calculated. By the ruling of 8 February 2022, the Court overturned the order No S-20-102-25277 of S. Ramanauskas, a bailiff, dated 7 September 2020, regarding the recovery of enforcement fees in the enforcement proceedings No 0102/20/00638. The parties to the proceedings did not appeal, and thus bailiff's enforcement fees decreased from EUR 396 thousand to EUR 45 thousand.

The Chamber of Panevėžys of the Panevėžys District Court investigated the appeal of AB PANEVĖŽIO STATYBOS TRESTAS in a civil case No 2YT-8648-452/2020 [2YT-230-452/2021] regarding the bailiff’s orders by which the interest payable and the enforcement fees were calculated under the Decision No 2S-11(2017) of 20 December 2017 of the Competition Council of the Republic of Lithuania. The Chamber of Panevėžys of the Panevėžys District Court dismissed the appeal by an order of 13 January 2021. This order was appealed by bringing a separate appeal on 20 January 2021. By order of 20 April 2021, the Panevėžys Regional Court upheld the decision of the Chamber of Panevėžys of the Panevėžys District Court unchanged. This decision was appealed in cassation. On 14 April 2022, the Supreme Court of Lithuania overturned the ruling of the Panevėžys Regional Court dated 20 April 2021 and remitted the case to the appeal court for reconsideration. On 14 June 2022, the Panevėžys Regional Court overturned the ruling of the Chamber of Panevėžys of the Panevėžys District Court dated 13 January 2021, and decided this question on the merits: upheld the appeal against the actions of bailiff Saulius Ramanauskas in enforcement proceedings No OI 02/20/00638; repealed the bailiff's order No S-20- 17054 dated 11 June 2020, order No S-20-102-17225 dated 12 June 2020, order No 20-102-17214 dated 12 June 2020, order No S-20-102-17969 dated 18 June 2020 and order No S-20-102-18809 dated 30 June 2020 concerning the calculation of interest and enforcement fees (bailiff fees), and ordered the bailiff Saulius Ramanauskas to carry out a recalculation of the interest and enforcement fees specified in these orders. On this basis, the interest charged decreased from EUR 1,385 thousand to EUR 252 thousand.

At the Tax Authority (Plaintiff) request, enforcement proceedings No 0102/20/00638 were stayed by the bailiff's order of 14 July 2022.

On 21 February 2023, the Tax Authority submitted the letter to Saulius Ramanauskas No RNA-5192 “Regarding Approval of the Settlement Agreement in the Enforcement Proceedings” dated 20 February 2023 and “Settlement Agreement in the Enforcement Proceedings” dated 17 February 2023. The letter contains requests to submit the Settlement Agreement to the court for approval and to inform the Competition Council of the Republic of Lithuania thereof.

On 13 March 2023, the Panevėžys Regional Court passed the ruling on approval of the settlement agreement in the enforcement proceedings. The court ruling is not final and subject to appeal.

On 17 March 2023, AB PANEVĖŽIO STATYBOS TRESTAS submitted a separate complaint regarding the ruling of the Chamber of Panevėžys of the Panevėžys District Court dated 13 March 2023 in the proceedings No 2VP-2582-837/2023, by which it requested to set aside the order of the Chamber of Panevėžys of the Panevėžys District Court dated 13 March 2023 in the proceedings No 2VP-2582-837/2023, and to pass new ruling to satisfy the statement submitted by the bailiff Saulius Ramanauskas and to approve the Settlement Agreement.

28. Contingent Liabilities (continued)

On 21 March 2023, a separate complaint of the Tax Authority was filed before the Panevėžys District Court regarding the ruling of the Chamber of Panevėžys of the Panevėžys District Court dated 13 January 2023, by which it is requested to set aside the order of the Chamber of Panevėžys of the Panevėžys District Court dated 13 March 2023 in the proceedings No 2VP-2582-837/2023, and to pass new ruling to satisfy the statement submitted by the bailiff Saulius Ramanauskas and to approve the Settlement Agreement.
On 20 February 2023, the agreement was signed with the Tax Authority on the payment of the fine imposed in equal instalments over period of four years. The liabilities are classified as current until the agreement is approved by the court.

29. Related-Party Transactions

Related parties are defined as shareholders, employees, members of the Management Board, their close relatives and companies that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with the Company, provided the listed relationship empowers one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

The Company had sales and purchase transactions during 2021–2022 with subsidiaries, the controlling company AB Panevėžio Keliai and with its subsidiaries (reported under other caption “Other related companies” below). Transactions with related parties during 2021 and 2022 were as follows:

(EUR thousand)	Type of transaction	2022	2021
Sales:			
Companies under control			
UAB Šeškinės Projektai	Interest and services	332	988
UAB Vekada	Goods and services	16	10
UAB Alinita	Goods and services	35	126
UAB Metalo Meistrai	Goods and services	181	336
UAB PST Investicijos	Services	135	17
UAB Skydmedis	Goods and services	41	46
UAB Ateities Projektai	Services	48	167
UAB Aliuminio Fasadai	Services	697	783
UAB Hustal	Services	29	3
PS Trests SIA	Services	33	2
Kingsbud Sp.z.o.o	Interest	2	2
Controlling company			
AB Panevėžio Keliai	Goods and services	185	54
Other related companies	Goods and services	1	14

(EUR thousand)	Type of transaction	2022	2021
Purchases:			
Companies under control			
UAB Alinita	Goods and services	1,620	2,000
Kingsbud Sp.z.o.o	Goods and services	777	277
UAB Vekada	Goods and services	1,600	134
UAB Metalo Meistrai	Goods and services	0	37
PS Trests SIA	Services	865	445
UAB Aliuminio Fasadai	Goods and services	966	906
UAB Šeškinės Projektai	Goods and services	308	288
UAB PST Investicijos	Services	357	6
Other	Services	8	18
Controlling company			
AB Panevėžio Keliai	Goods and services	593	884
Other related companies			
UAB Scard	Goods and services	120	90
UAB Betono Apsaugos Sistemos	Goods and services	0	10
Other	Goods and services	43	60

29. Related Party Transactions (continued)

(EUR thousand)	2022	2021
Receivables		
Companies under control		
UAB Šeškinės Projektai	458	515
UAB Metalo Meistrai	68	80
UAB Aliuminio Fasadai	376	390
Other	70	80
Payables:		
Companies under control		
UAB Vekada	435	105
Kingsbud Sp.z.o.o	176	18
PS Trests SIA	222	84
UAB Šeškinės Projektai	166	44
Other	22	22
Controlling company		
AB Panevėžio Keliai	269	210
Other related companies		
Other	16	1
Loans receivable incl. accrued interests from companies under control:		
OOO Teritorija (gross value)	0	865
Kingsbud Sp.z.o.o	72	140
UAB Šeškinės Projektai	5,954	5,728
UAB Ateities Projektai	1,286	1,320

Payment terms for receivables and payables with the related parties are up to 30–90 days, except for the loans granted, which are disclosed in Note 17.

Balances at the year-end have no collaterals and all transactions are carried out in cash unless otherwise agreed. There have been no guarantees provided or received for any related party receivable or payable and no allowances have been made for the doubtful receivables from related parties by the Company. The balances outstanding with related parties of the Company were not overdue as at 31 December 2022 and 2021.

Management remuneration

Wages, salaries and social insurance contributions, calculated to the Company’s directors and the Board members for the year 2022, amounted to EUR 995 thousand (in 2021: EUR 1,327 thousand). For Company’s directors and the Board members there were no guarantees issued, any other paid or accrued amounts or assets transferred, except board remuneration paid in 2021.

30. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction under current market conditions in the principal (or the most advantageous) market independent irrespective of whether this price is directly observable or established using valuation techniques.

30. Fair value of financial instruments (continued)

As at 31 December 2022

(EUR thousand)	Carrying amount	Fair value		
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Trade receivables	18,450			18,450
Loans granted	7,312			7,312
Cash and cash equivalents	5,013	5,013		
Financial assets, total	**30,775**	**5,013**		**25,762**
Financial liabilities				
Loans (overdraft)	0			
Trade payables	(13,979),			(13,979)
Lease liabilities	(704)			(704)
Liabilities related to the fine imposed by the Competition Council	(5,775)			(5,775)
Total financial liabilities	**(20,458)**			**(20,458)**

As at 31 December 2021

(EUR thousand)	Carrying amount	Fair value		
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Trade receivables	14,860			14,860
Loans granted	7,194			7,194
Cash and cash equivalents	5,795	5,795		
Financial assets, total	**27,849**	**5,795**		**22,054**
Financial liabilities				
Loans (overdraft)	0			0
Trade payables	(11,811)			(11,811)
Lease liabilities	(981)			(981)
Liabilities related to the fine imposed by the Competition Council	(8,542)			(8,542)
Total financial liabilities	**(21,334)**			**(21,334)**

There were no transfers between levels of the fair value hierarchy in 2022 and 2021 at the Company.

The following methods and assumptions are used by the Company to estimate the fair value of the financial instruments not carried at fair value:

Cash

Cash represents cash at banks and on hand stated at value equal to the fair value.

Receivables

The fair value of trade and other receivables and loans granted is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. Fair value of short-term trade and other receivables with no stated interest rate is deemed to approximate their face value on initial recognition and carrying value on any subsequent date as the effect of discounting is immaterial.

The fair value of non-current trade receivables was estimated to approximate carrying value as discounting effect was determined to be not material.

The fair value of loans granted was estimated to approximate carrying value as majority of the loans are subject of market level variable interest.

30. Fair value of financial instruments (continued)

Financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Fair value of current trade payables with no stated interest rate is deemed to approximate their face value on initial recognition and carrying value on any subsequent date as the effect of discounting is immaterial. The fair value of borrowings (overdraft) was estimated to approximate carrying value as it is subject to variable interest. The carrying value of lease liabilities approximates the fair value as it is a subject to interest. The fair value of fine under the decision of the Competition Council is considered its carrying value, since it is not subject to interest.

31. Earnings and dividends per share

(EUR)	2022	2021
Net result for the year	(1 720 126)	303,350
Dividends declared	0	0
Average number of shares	16,350,000	16,350,000
Basic and diluted earnings/(loss) per share	**(0.11)**	**0.02**
Dividends declared per share	**0**	**0**

32. Events after the End of the Reporting Period

After the end of the financial year and up until the date these financial statements were approved, no other significant subsequent events occurred. Geopolitical developments led to a very significant change in the prices of raw and construction materials in Q1 and Q2 of 2022. The Group had fixed-price contracts for work, thus the majority of the costs of raw and construction materials substantially increased the cost of sales. The increased costs were partially offset by indexation of sales prices to customers, as well as part of the costs was shared by suppliers and subcontractors. Geopolitical events in 2022 also affected supply chains, resulting in delays in some materials, and affected the time-limits for the implementation of contract projects, as well as the Group’s sales volume. In 2023, the geopolitical uncertainty remains, but no significant negative impact on the Group’s plans for 2023 is expected. To mitigate uncertainty and manage risks, the Group takes a proactive approach in cost management, in particular, in reducing of costs, purchasing of materials, etc.

Managing director	Egidijus Urbonas	04/04/2023
Chief accountant	Danguolė Širvinskienė	04/04/2023

Company’s and Consolidated Annual Report,
Governance Report,
Consolidated Report of Social Responsibility,
and Remuneration Report
of *Panevezio statybos trestas AB*
for 2022

I. Consolidated Annual Report

1. Accounting period covered by the Annual Report

This Company's and Consolidated Annual Report for the year 2022 covers the period from 1 January 2022 until 31 December 2022.

2. References and additional clarifications on the data included in the Annual Report

The auditor of the company is *Grant Thornton Baltic* UAB.
In this report, *Panevezio statybos trestas* AB can also be referred to as 'the Company', and the Company together with its subsidiary companies can be referred to as 'the Group'.

3. The main data about the Company (the issuer)

Name of issuer	Public limited liability company *Panevezio statybos trestas*
Authorised capital	4,741,500 Euros
Address of registered office	P. Puzino Str. 1, LT-35173 Panevezio, Lithuania
Telephone	(+370 45) 505 503
Fax	(+370 45) 505 520
Legal-organisational form	Public limited liability company
Date and place of registration	30 October 1993, Panevezys City Board
Registration No.	AB 9376
Register code	147732969
VAT code	LT477329610
LEI code	529900O0VPCGEWIDCX35
Administrator of Legal Entity Register	State Enterprise *Centre of Registers*
E-mail	pst@pst.lt
Website	www.pst.lt

4. Nature of the main activities of the issuer

The main area of activities of the Company and its subsidiaries (the Group) is design and construction of buildings, structures, equipment and communications and other objects for various applications in and outside Lithuania, sale of building materials, production and real estate development. In addition to the listed activities, the Company is engaged in rent of premises and machinery.

5. The companies included in the Group of *Panevezio statybos trestas* AB

As of 31 December 2022, the Group of *Panevezio statybos trestas* AB included the following companies:

Subsidiary company	***Registration date, register administrator***	***Company code***	***Registered address***	***Telephone, fax, e-mail, website***	***Portion of shares held (per cents)***
Skydmedis UAB	17 June 1999 State Enterprise *Centre of Registers*	148284718	Pramones Str. 5, Panevezys	Tel. (+370 45) 467626 Fax (+370 45) 460259 info@skydmedis.lt www.skydmedis.lt	100
Vekada UAB	16 May 1994 State Enterprise *Centre of Registers*	147815824	Marijonu Str. 36, Panevezys	Tel. (+370 45) 461311 Fax (+370 45) 461311 info@vekada.lt www.vekada.lt	95.6
Alinita UAB	8 December 1997 State Enterprise *Centre of Registers*	141619046	Tinklu Str. 7, Panevezys	Tel. (+370 45) 467630 Fax (+370 45) 467630 info@alinita.lt www.alinita.lt	100
Kingsbud Sp.z o.o.	11 August 2010 District Court in Bialystok, XII Economic Department of National Court	200380717	A. Patli Str. 12, 16-400 Suwalki, Poland	Tel. (+48 875) 655 021 Fax (+48 875) 655 021 biuro@kingsbud.pl www.kingsbud.lt	100
PS Trests SIA	22 May 2000 Centre of Registers, Republic of Latvia	40003495365	Skultes Str. 28, Skulte, Marupes Parish, Riga Region, Latvia	Tel. +371 29525066	100
Seskines projektai UAB	9 November 2010 State Enterprise *Centre of Registers*	302561768	Ukmerges Str. 219, Vilnius	Tel. (+370 5) 2102130 info@psti.lt gbujokas@psti.lt	100
Ateities projektai UAB	25 April 2006 State Enterprise *Centre of Registers*	300560621	Ukmerges Str. 219, Vilnius	Tel. (+370 5) 2102130 Fax (+370 5) 2102131 info@psti.lt gdieckuviene@psti.lt	100
PST investicijos UAB	23 December 1998 State Enterprise *Centre of Registers*	124665689	Ukmerges Str. 219, Vilnius	Tel. (+370 5) 2102130 info@psti.lt gbujokas@psti.lt	68
Tauro apartamentai UAB	23 October 2018 State Enterprise *Centre of Registers*	304937621	Ukmerges Str. 219, Vilnius	Tel.(+370 610) 09222 gbujokas@psti.lt	100
Hustal UAB	11 December 2018 State Enterprise *Centre of Registers*	304968047	Tinklu Str. 7, Panevezys	Tel.(+370 45) 585087 tomas.stukas@hustal.eu www.hustal.eu	100
Aliuminio fasadai UAB	2 January 2020 State Enterprise *Centre of Registers*	305412441	Pramones Str. 5, Panevezys	Tel. +370 686 32727 info@alfasadai.lt www.alfasadai.lt	100

Subsidiary companies of PST investicijos UAB:

Subsidiary company	*Registration date, register administrator*	*Company code*	*Registered address*	*Telephone, fax, e-mail, website*	*Portion of shares held (per cents)*
Baltevromarket ZAO ISK	13 July 2001 *Independent Registration Company* AB – Administrator of Shareholders' Register	3906214631	Rostovskaja Str. 5-7, Kaliningrad, Kaliningrad Obl., Russian Federation	Tel.+79097772202 baltevromarketao@mail.ru	100

6. Nature of principle activities of the companies included in the Group

Skydmedis UAB – production, construction and outfit of pre-fabricated timber panel houses. Panel houses are the main product of the company. Products are successfully exported to Norway, Sweden, Switzerland, Iceland and other countries.
Hustal UAB – design, fabrication and erection of steel structures. The company also supplies steel structures for other industries where steel items are required. Activity and sale of the company are focused on the Scandinavian market.
Vekada UAB – installation of electrical systems. Alongside with the usual electrical engineering activities, works in the low current fields are carried out: video surveillance systems, security and fire alarm systems, utility system control.
Alinita UAB – installation of heating, ventilation and air-conditioning systems in buildings, indoor water supply, waste water and fire-fighting systems, design, start-up and commissioning of indoor utility systems.
Kingsbud Sp. z o.o. – wholesale of construction materials. Kingsbud Sp. z o.o. has a branch established in Lithuania, which focuses on wholesale of stoneware and glazed tiles for indoor and outdoor application.
PS Trests SIA – construction activities. The company was established for searching of new markets and carrying out construction activities in Latvia.
Seskines projektai UAB – real estate development and sale.
Ateities projektai UAB – real estate preparation and sale.
PST investicijos UAB – real estate preparation and sale. *PST investicijos* UAB has the subsidiary company, *Baltevromarket* ZAO ISK, established for development of real estate projects in the Kaliningrad Oblast, Russian Federation.
Tauro apartamentai UAB – development of real estate projects.
– sale, erection and design of steel structures. Activity and sale of the company are focused on the Scandinavian market.
Aliuminio fasadai UAB – production of aluminium profile systems, aluminium framed windows and doors.
Baltevromarket ZAO ISK – the subsidiary company of *PST investicijos* UAB carries no activities, the liquidation procedure has been initiated.

7. Contracts with the intermediary of public trading in securities

In 2013, the Company signed the contract with the Financial Brokerage Company *Finasta* AB for accounting of securities and provision of services related to securities accounting. On 21 December 2015, the Financial Brokerage Company *Finasta* AB had been rearranged by way of merge with *Siauliu bankas* AB, which took over all assets, rights and liabilities of the Financial Brokerage Company *Finasta* AB from the mentioned date.

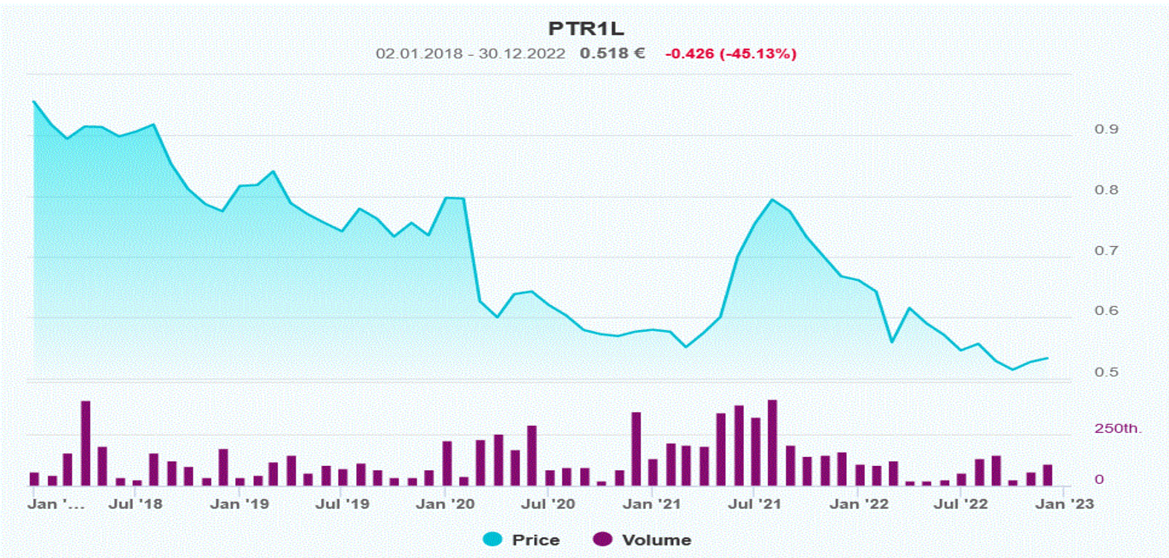
8. Data on trading in securities of the issuer in regulated markets

The ordinary registered shares of *Panevezio statybos trestas* AB have been on the Official Trading List of *Nasdaq Vilnius* AB since 13 July 2006 (company symbol PTR1L).

Share type	*Number of shares, pcs.*	*Par value, Euros*	*Total par value, Euros*	*Emission code ISIN*
Ordinary registered shares (ORS)	16,350,000	0.29	4,741,500	LT0000101446

Comparison of PTR1L Panevezio statybos trestas and OMX Vilnius Benchmark GI indexes in 2022

Company share price variation at Stock Exchange Market Nasdaq Vilnius for the period 2018 through 2022 (Euros)



Company share price variation at Stock Exchange Market Nasdaq Vilnius in 2022 (Euros)

Table 1. Information on the Company share price at Stock Exchange Market Nasdaq Vilnius for the period 2018 through 2022:

Indicator	*2022*	*2021*	*2020*	*2019*	*2018*
Highest price, Euros	0.694	0.838	0.85	0.878	0.99
Lowest price, Euros	0.50	0.53	0.52	0.71	0.75
Average price, Euros	0.564	0.677	0.629	0,78	0,881
Share price as of the end of reporting period, Euros	0.518	0.66	0.57	0.75	0.752
Traded volume	991,215	2,935,832	1,980,134	986,685	1,596,044
Turnover, mln. Euros	0.56	1.99	1.25	0.77	1.41
Capitalisation, mln. Euros	8.47	10.79	9.32	12.26	12.3

9. Fair review of position, performance and development of the Company and the Group, description of the principal risks and uncertainties the company faces

Key events of the reporting period

The key events that occurred during 2022 and were published through the *GlobeNewswire* information system are listed below.

5 January 2022. The company had appealed in cassation against the mentioned court judgement (*the judgement by the Chamber of Panevezys at the Panevezys District Court on the interest accrued by the Competition Council for the whole period of legal proceeding when the Company was in dispute regarding the fine imposed by the Competition Council was left unchanged*) to the Supreme Court of Lithuania. On 5 January 2022, the Supreme Court of Lithuania upheld the judgement of 17 February 2021 by the Panevezys Regional Court.

7 January 2022. On 6 January 2022, the Supreme Court of Lithuania delivered the judgement on the decision by the State Enterprise *Ignalina Nuclear Power Plant* to reject the submitted bid in the tender for Procurement of Works for Construction of INPP Near Surface Repository for Low and Intermediate-Level Short-Lived Radioactive Waste (Construction Stages I/A, II/A) and Design, Construction and Connection of External Rainwater Drainage Networks to INPP Infrastructure thereby dismissing the cassation appeal of *Panevezio statybos trestas* AB and hearing the case in cassation proceedings. The court motivated their decision mainly by the fact that the case is of little significance to the practice of the Lithuanian courts and public procurement. The court judgement and the outcome of the dispute will not affect the future operations of the company as its possibilities for participation in public procurement are no longer restricted.

8 March 2022. *Panevezio statybos trestas* AB notified that it ceases to operate its companies located in the region of the Russian Federation:

- Operation of *Baltevromarket* ZAO ISK, with 100 per cents of the authorized capital hold by *PST Investicijos* UAB, is ceased though there have been no assets owned by the company since mid of 2021;
- *Teritorija* OOO has been out of active operation for the period of three years (de-registered on 21 December 2022) ;
- *Baltlitstroj* OOO is declared bankrupt and is in the process of the relevant proceedings (de-registered on 25 November 2022).

For several years now, taking into account the risks involved, *Panevezio statybos trestas* AB has been putting tendentious efforts to withdraw from the market of the Russian Federation.

15 April 2022. The Supreme Court of Lithuania annulled the decisions of the courts of first and appeal instance and remitted the case to the Appeal Court. The Supreme Court interpreting the provisions of the Competition Law regarding the calculation of interest stated that the Appeal Court misapplied the provisions of the Competition Law governing the procedure for calculating the interest due for non-payment of fines for competition law infringements and ruled that the maximum interest period of 180 days shall be applied.

According to the PST the bailiff's order under appeal calculated interest for the entire period of the court proceedings and for an additional 180 days which amounts to EUR 1,385,178.76, the recalculated amount of interest for 180 days should amount to EUR 251,906.30.

As of 1 August 2022, *Panevezio statybos trestas* AB has already paid EUR 2,245,985 in execution of the decision by the Competition Council, despite the dispute in the courts.

28 April 2022. The Ordinary General Meeting of Shareholders of *Panevezio statybos trestas* AB took place. The Ordinary General Meeting of Shareholders did not come to the decision to pay dividends.

24 May 2022. *Panevezio statybos trestas* AB has signed the construction contract with the Visaginas Municipality Administration for Reconstruction of Visaginas Sedulina Alley and Fountain. The total contract value is over EUR 4 million (incl. VAT). The works are expected to be completed within the period of 12 months but no later than September 2023.

30 May 2022. The State Tax Inspectorate under the Ministry of Finance informed *Panevezio statybos trestas* AB (the Company) that the European Commission had closed the procedure for notifying the state aid to the Company started as a result of distribution of the fine imposed by the Competition Council. The European Commission had given an explanation that if for payment in instalments by the Company of the imposed fine (economic sanction) together with the procedural interest rate established by law is subject to the additional annual interest rate corresponding to market conditions, such aid shall not be considered to be the state aid.

15 June 2022. By the court judgement dated 14 June 2022, the Panevezys Regional Court satisfied the complaint by the Company against the actions of the bailiff in the enforcement case and revoked the bailiff's orders regarding calculation of interest and enforcement costs - the bailiff's remuneration - and placed the bailiff under the obligation to recalculate the interest and enforcement costs indicated in the mentioned orders. It should be recalled that in its judgement the Supreme Court of Lithuania had vacated the ruling and the judgement byre the courts of the first and appeal instances and referred the case back to the appeal instance. In interpreting the provisions of the Law on Competition in relation to interest calculation, the Supreme Court of Lithuania found that the appeal court had misapplied the rules of the Law on Competition governing the procedure for calculation of interest due for the fine unpaid for infringement of the competition rights and stated that in all cases the maximum period of 180 days for calculation of interest should be applied.

Based on the orders under complaint, the calculated interest amounted to 1,385,178.76 Euros, whereas considering interpretation by the Supreme Court of Lithuania, interest due for the period of 180 days amounts to 251,906.30 Euros.

2 August 2022. Two subsidiary companies of *Panevezio statybos trestas* AB, *Hustal* UAB (hereinafter *‘Hustal’*) and *Metalo meistrai* UAB (hereinafter *‘Metalo meistrai’*), are in the process of merging. The activities of both companies overlap to a considerable extent – both of them carry out the works related to engineering, production and sales of steel structures for various industries, therefore merger is aimed for optimizing processes and making them more efficient. *Hustal* is merged with *Metalo meistrai*, the company with more than two decades of experience. When merger is completed, *Hustal* will cease its operation and *Metalo meistrai* will continue operating after taking over the name, assets, rights and liabilities of *Hustal*.

3 August 2022. *Panevezio statybos trestas* AB has signed the 10 million Euro provisional sum contract with the General Contractor, Petrofac International UAE LLC, for building construction works in Factory Modernization Project at *Orlean Lietuva* UAB in Mazeikiai. *Panevezio statybos trestas* AB plans to complete the building construction works by February 2024.
19 September 2022. *Panevezio statybos trestas* AB has signed the construction contract with the Administration of the Panevezys City Municipality for Reconstruction of Sports Palace *Aukstaitija* – Construction of Swimming Pool. The total value of the contract exceeds 27 mln. Euros. The floor area before reconstruction was 6,761.42 square meters, it is subject to extension to ~12,247.74 square meters after reconstruction. The works are planned to be completed within 35 months from the date of the contract entry into force.
6 December 2022. The Company has signed the 21.7 million Euro provisional sum contract with the General Contractor, Petrofac International UAE LLC, for the civil works in Oil Refinery Modernization Project at *Orlean Lietuva* UAB in Mazeikiai. The scope of the main works includes installation of pavements, roads and foundation. The works are scheduled to be completed by September 2024.

In 2022 the Company successfully completed several major construction projects, such as Reconstruction of Kedainiai City Wastewater Treatment Facilities, Reconstruction of Laisves Square in Panevezys. Furthermore, a few apartment building renovation projects were completed in Panevezys, Utena and Vilnius. In February 2023, construction of Vilnius Lazdynai swimming-pool was completed and the swimming-pool was opened to the public. At the beginning of 2023, Construction of Laboratory Block for Faculties of Electronics, Mechanics and Transport Engineering at Vilnius Gediminas Technical University at Plytines Str. 25 was completed and construction of Educational Block for Faculties of Mechanics, Electronics and Transport Engineering of the University is in progress. In addition to that, activities are continued in such projects as Reconstruction of Wroblewski Library of Academy of Sciences, modernisation of apartment buildings in Klaipeda, Vilnius, Construction of New Head Office of *Lietuvos draudimas* at J. Basanaviciaus Str. 10, Vilnius, Construction of Apartment Building Complex *reVINGIS*. In 2022, the contracts were signed and work was started in several sites of wind farms where *Konstrukcija* branch will carry out installation of foundations for wind turbines.
More than once the Company has been awarded for successfully implemented projects, their complexity, high quality and organization of complicated activities. In December 2022, the awards of the *Lithuanian Product of the Year* were arranged by Lithuanian Confederation of Industrialists for the 26th time where our Business Centre *U219* was awarded the gold medal in the category of construction and building materials. U219 is a multifunctional building located in one of the main arteries of Vilnius – in Ukmerges Street. Among the various benefits of this business centre is the BREAM New Construction Certificate, which guarantees long-term returns, acknowledges efficiency of the building and responsible approach of developers to the environment and human health.
In 2022, the following branches continued their operation in the structure of the Company: *Gerbusta*, focusing on construction of utility networks and landscaping, *Pastatu apdaila*, carrying out indoor and outdoor finishing works, *Konstrukcija*, where production capacities are concentrated, this branch carries out civil and special construction works, Vilnius branch *Genranga*, performing general contracting activities and project management in the Vilnius Region, and *Klaipstata*, performing general contracting activities and project management in the Klaipeda Region.
The Company has permanent establishments in the Republic of Latvia and Kingdom of Sweden.
In 2022, the companies of the Group successfully continued their activity both inside and outside Lithuania. In 2022, two subsidiary companies of *Panevezio statybos trestas* AB, *Hustal* UAB and *Metalo meistrai* UAB, were merged. The activities of both companies overlap to a considerable extent – both of them carry out the works related to engineering, production and sales of steel structures for various industries, therefore merger is aimed for optimizing processes and making them more efficient. After merger *Hustal* UAB ceases its operation and *Metalo meistrai* UAB continues operating having taken over the name, assets, rights and liabilities of *Hustal* UAB. The main direction for selling the steel structures is the Scandinavian countries.

Skydmedis UAB, which is producing pre-fabricated timber panel houses, sells nearly all of their products in the foreign market. 84 per cents of the company's revenue were for the products sold in the Scandinavian countries. *Vekada* UAB, *Alinita* UAB, which specialize in installation of indoor heating, ventilation and conditioning, water supply and waste water systems, and in installation of electric systems, renewable energy and low current fields, implemented the projects in Lithuania.
The most advanced aluminium profile systems, aluminium windows and doors, façades are produced at *Aliuminio fasadai* UAB. *PST investicijos* UAB, *Ateities projektai* UAB and *Seskines projektai* UAB are the real estate development companies. *Ateities projektai* UAB develops the project of residential houses in Kunigiskes.
PS Trests SIA operating in Latvia is continuing the started construction and is looking for new orders. In 2022, the wholesale of building materials is further developed.
Kingsbud Sp.z o.o, the company operating in Poland, is engaged in this.

Key events after the reporting period (in the year 2023)

2 February 2023. The General Extraordinary Meeting of Shareholders was reconvened to take the resolution on approval of the agreed material conditions for the settlement agreement with the State Tax Inspectorate.
For several years now, taking into account the risks involved, the Company has been putting tendentious efforts to withdraw from the market of the Russian Federation.

Risk factors related to the Company's activities:

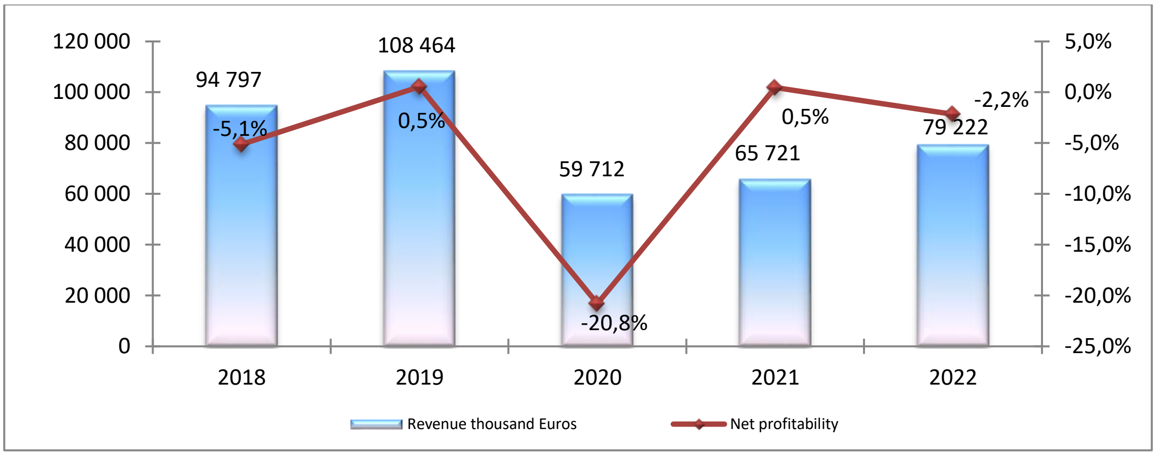
In their operation, both the Company and the Group face various types of risks, such as legal regulation, severe competition, shortage of qualified labour, cyclical nature of economy, consistency of orders, volatile material prices in the global market, macroeconomic factors, damping. However, only a few of them may have significant impact on the performance results of the Group and the Company. The main factors that create business risk for the Company and the Group are competition in the construction market and changes in the demand for construction services. The demand for construction services also depends heavily on the volume of investments and financing received from the EU structural funds. Increase and variation of material and service prices make the process of the project budgeting and possibility to complete the already started projects based on the planned costs more difficult. This results in extra risk for performance of fixed price construction contracts and reduces profitability of projects. Furthermore, activity of the Company and the Group is influenced by the economic situation (economic cycles), geopolitical changes in Lithuania and the countries where the Group companies operate, Russia's military invasion of Ukraine, and remaining risks related to COVID-19. Although there is still some uncertainty about the trends in global economic development as well as regional and global crisis in future.
Information on the types of financial risks and risk management is provided in the Notes to the Separate Financial Statements (Note 4) and Consolidated Financial Statements (Note 4). Legal uncertainties are provided in the Notes to the Separate Financial Statements (Note 28) and Consolidated Financial Statements (Note 27).

10. Analysis of financial and non-financial performance, information related to environmental and employee matters

Some recent years are a big challenge for the global and Lithuanian economy. At the end of pandemic, the Russian military invasion of Ukraine, which began at the beginning of the year, caused a major geopolitical crisis. Therefore, the large increase in prices of energy resources resulted in further rise of already high inflation.
The war in Ukraine has greatly influenced activities of the Company as well as the entire construction sector. Since the beginning of the war, the considerable increase in material prices, shortage of raw materials and supply disturbances have had a significant impact on performance results.

Over the twelve months of 2022, the turnover of *Panevezio statybos trestas* AB amounted to 79.222 mln. Euros, whereas the revenue of the Company for the twelve months of 2021 amounted to 65.721 mln. Euros. The revenue of the Company increased by 20 per cents compared to that in 2021. However, due to increase in raw material prices, disturbances in the supply chain and labour shortages, the Company has suffered the net loss in the amount of 1.720 mln. Euros in 2022. In 2021, the Company had the profit in the amount of 0.304 million Euros.
Over the same period, the total consolidated revenue of *Panevezio statybos trestas* AB Group was 115.84 mln. Euros, i.e. by 18 per cents higher than the revenue for the year 2021. In 2021, the revenue of the Group amounted to 98.451 mln. Euros. The net profit of the Group was 0.525 mln. Euros in 2022, in 2021 the Group had the profit in the amount of 3.499 mln. Euros.

Revenue and net profitability variation for the Company:



Revenue and net profitability variation for the Group:

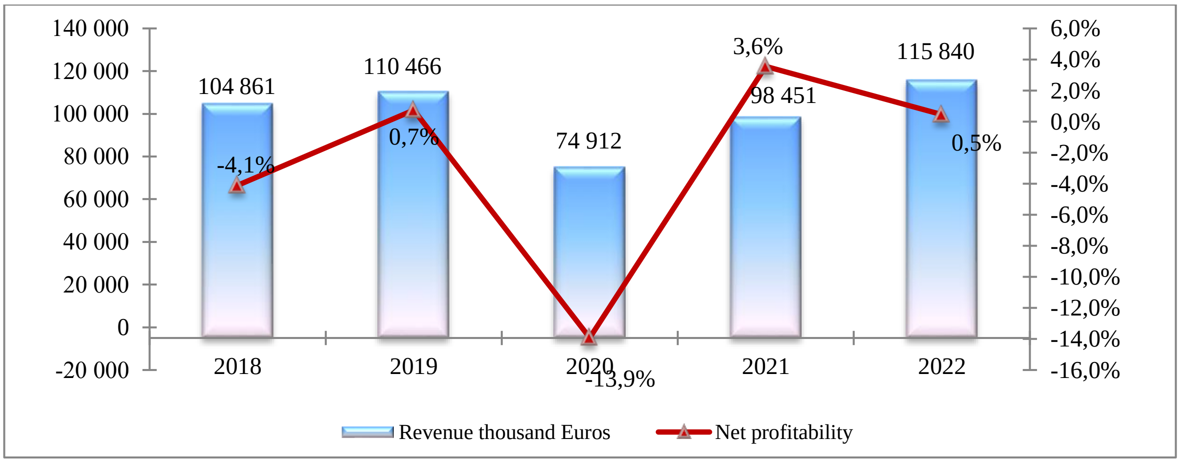


Table 2. Performance (thousands Euros) of the Company and the Group of Panevezio statybos trestas AB for the period 2020 through 2022:

Group			Items	Company		
2020	**2021**	**2022**		**2020**	**2021**	**2022**
74,912	98,451	115,840	*Revenue*	59,712	65,721	79,22
68,167	68,283	106,310	*Cost of sales*	58,531	59,888	77,066
6,745	12,168	9,530	*Gross profit*	1,181	5,833	2,156
9.00	12.36	8.23	*Gross profit margin (per cents) (API)*	1.98	8.88	2.72
-9,360	2,414	-1,067	*Typical operating result*	-12,595	-589	-4,978

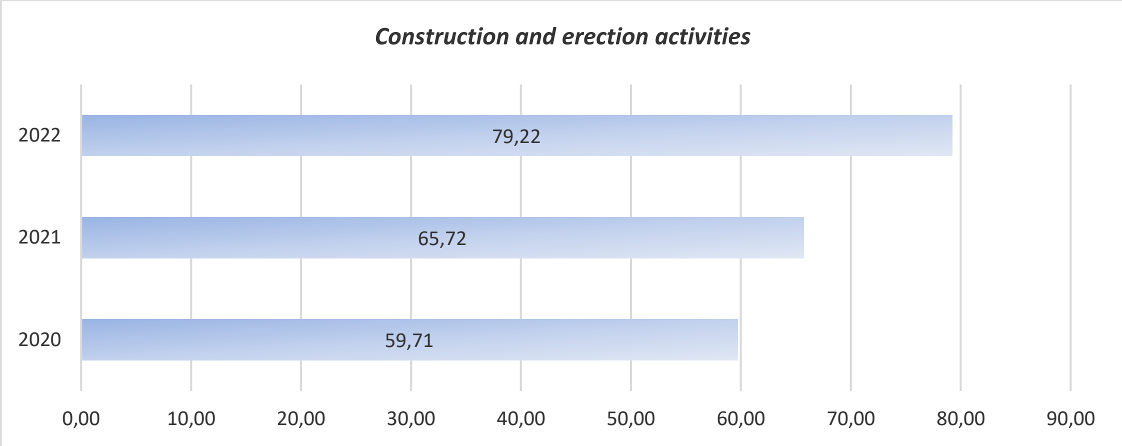
Group			Items	Company		
2020	2021	2022		2020	2021	2022
-12.49	2.45	-0.92	*Typical operating result from turnover (per cent)*	-21.09	-0.90	-6.28
-7,925	3,477	266	*EBITDA[1] (API)*	-11,362	259	-4,192
-10.58	3.53	0.23	*EBITDA margin (per cents) (API)*	-19.03	0.39	-5.29
-10,431	3.499	525	*Net profit (API)*	-12,418	304	-1,720
-13.92	3.55	0.45	*Nets profit (loss) margin (per cents)*	-20.80	0.46	-2.17
-0.638	0.214	0.032	*Earnings per share (Euros) (EPS)[2] (API)*	-0.76	0.019	-0.105
-34,40	12.58	1.75	*Return on equity (per cents) (ROE)[3] (API)*	-43.89	1.38	-7.89
-13.99	4.41	0.60	*Return on assets or asset profitability (ROA)[4] (API)*	-18.59	0.55	-3.40
-35.97	6.65	0.99	*Return on investments (ROI)[5] (API)*	-52.81	1.29	-7.67
0.75	1.30	1.23	*Current liquidity ratio [6] (API)*	0.88	1.12	1.02
0.53	1.00	0.95	*Critical liquidity ratio [7] (API)*	0.81	0.94	0.85
0.36	0.34	0.35	*Equity ratio [8] (API)*	0.35	0.46	0.41
0.62	0.65	0.64	*Debt ratio [9] (API)*	0.65	0.54	0.59
1.72	1.90	1.82	*Debt to equity ratio [10] (API)*	1.85	1.19	1.46
1.61	1.79	1.88	*Book value per share [11] (API)*	1.34	1.35	1.31
0.35	0.37	0.28	*Price-to-book ratio (P/B ratio) [12] (API)*	0.43	0.49	0.39
-0.89	3.08	16.13	*Price-to-earnings ratio (P/E) [13] (API)*	-0.75	35.50	-4.92

[1] EBITDA = profit before taxes, interest, depreciation and amortization. The essence of EBITDA indicator is to determine the most objective profit (loss) of the company, which is least dependable on circumstances (least variable).
[2] Earnings per share (Euros) = net profit (loss) / number of issued shares.
[3] Return on equity (per cents) (ROE) = net profit / equity capital (a portion equity capital belonging to the shareholders).
[4] Return on assets (ROA) or asset profitability = net profit / assets.
[5] Return on investments (ROI) = net profit / (assets-current debt).
[7] Critical liquidity ratio = (current assets – inventories) / current liabilities.
[8] Equity ratio = equity capital / assets.
[9] Debt ratio = liabilities / assets.
[10] Debt to equity ratio = liabilities / equity.
[11] Book value per share = equity capital / number of shares.
[12] Price-to-book ratio (P/B ratio) = share price as of the end of reporting period / share book value.
[13] Price-to-earnings ratio (P/E) = share price as of the end of reporting period / net profit allocated for one share.

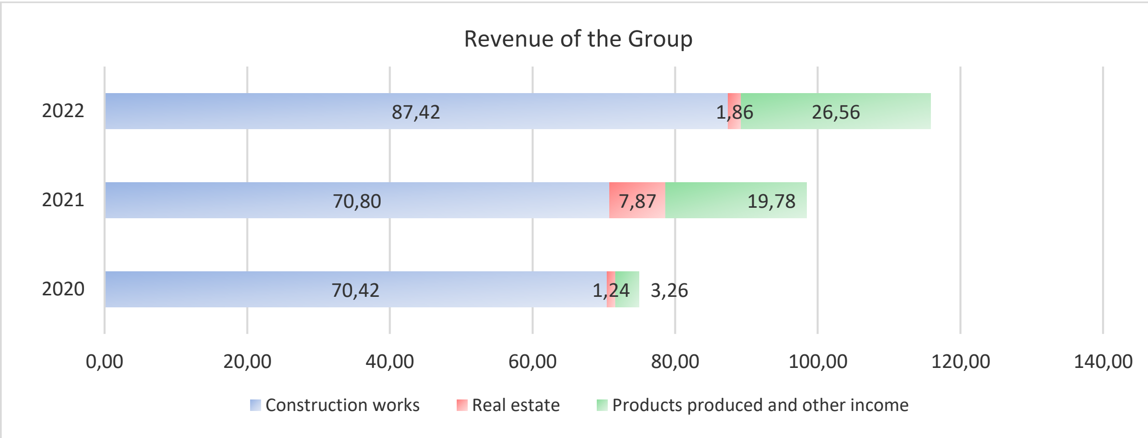
Panevezio statybos trestas AB uses Alternative Performance Indicators to better disclose the financial performance of the Group and the Company. The description of these indicators and methodology for their calculation are available on the Company's website https://www.pst.lt/en/finansines-ataskaitos

The main revenue of the Company by activity types is from construction and erection activities. In 2022, the revenue of the Group from construction and erection activities totalled 75.5 per cents, the revenue from real estate development and rent was 1.6 per cents, the revenue from finished products and other revenue amounted to 22.9 per cents, whereas in 2021, the revenue of the Group from construction and erection activities totalled 71.9 per cents, the revenue from real estate development and rent was 8 per cents, the revenue from finished products and other revenue amounted to 20.1 per cents.

Revenue distribution by activity types for the Company (mln. Euros):

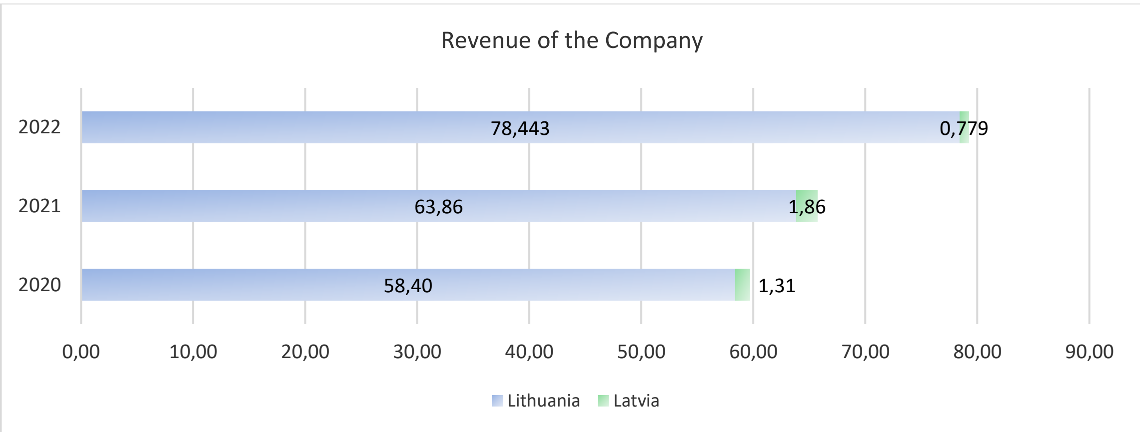


Revenue distribution by activity types for the Group (mln. Euros):

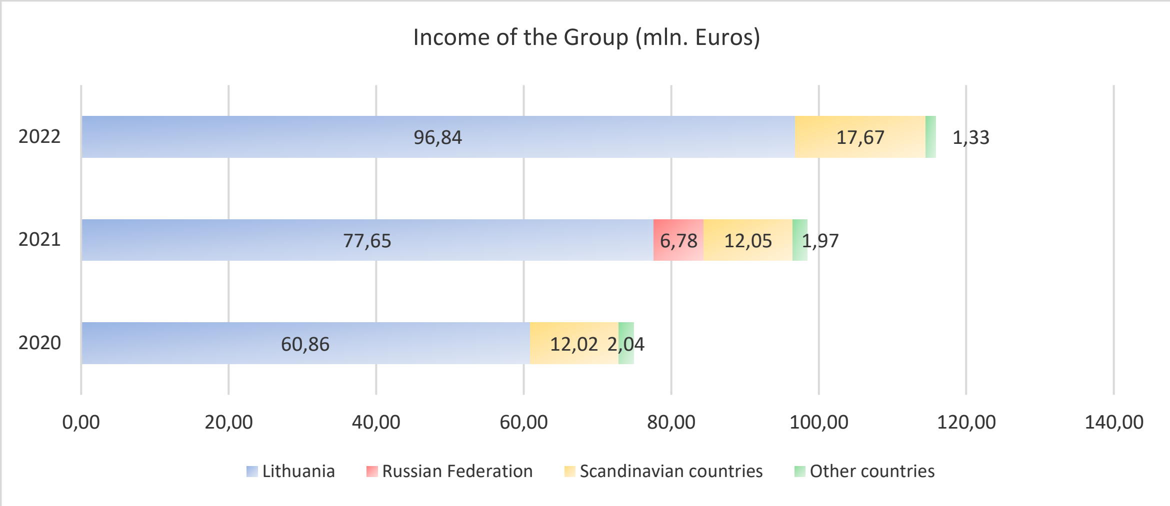


The main activities of the Company were performed in Lithuania and made 99.02 per cents of all works carried out by the Company in 2022 and 97.2 per cents in 2021. The revenue of the Group from the works performed inside the country made 83.6 per cents of the revenue, whereas in 2021 it was 78.9 per cents. In 2022 and 2021, the revenue of the Group in the Scandinavian countries was respectively 15,25 and 12.24 per cents of the all revenue.

Operating revenue distribution by countries for the Company (mln. Euros):



Operating revenue distribution by countries for the Group (mln. Euros):



Environment protection

Quality, sustainability, environment protection, occupational health and safety play a very important role in activities of *Panevezio statybos trestas* AB. Quality Management (ISO 9001), Environmental Management (ISO 14001) and Occupational Health and Safety Management (OHSAS 18001) Systems introduced and available at the Company allow taking proper care of these significant factors. Assessment of occupational risk is carried out, analyses are performed and measures for risk reduction or elimination are taken on each site. For the purposes of environment and resource protection and sustainability, ensuring pollution prevention, in the beginning of each project the environmental plan including specific measures for control of significant aspects of environment protection and activities performed is prepared.
In 2020, the Lithuanian National Accreditation Bureau accredited the Construction Laboratory of the Company in accordance with LST EN ISO/IEC 17025:2018 for the period of 5 years, thus granting the right to perform tests of building materials.
The companies of the Group also have Quality, Environmental and Occupational Health and Safety Management Systems in accordance with the requirements of LST EN ISO 9001:2015, LST EN ISO 14001:2015 and LST ISO 45001:2018 introduced and successfully functioning.

Employees

Professional, competent and responsible employees are the biggest asset of the Company. Therefore, much attention is paid to motivation of employees: environment favourable for generation and implementation of new ideas is being created and sharing of information is being promoted. In modern environment, competence of employees is one of the key factors describing competitiveness of the company. Taking this factor into account, the company encourages employees in all organizational levels to learn and improve their skills. The employees are motivated not only by material incentives – competitive salaries, progressive bonus system but also by exceptional quality of working environment.
As of 31 December 2022, the number of employees in the Group was 805, in the Company – 536.
As of 31 December 2021, the number of employees in the Group was 833, in the Company – 560.

Table 3. Average number of employees in 2021 and 2022:

Average number of employees	***2021***		***2022***	
	Group	***Company***	***Group***	***Company***
Managers	23	11	22	11
Specialists	316	234	304	224
Workers	523	347	486	310
Total	***862***	***592***	***813***	***544***

Table 4. Education level of the Group employees as of the end of the period:

PST Group employees	Payroll number	Higher university level education	Higher non-university education	Junior college education	Secondary education	Incomplete secondary education
Managers	22	21	0	1	0	0
Specialists	309	235	34	27	13	0
Workers	474	22	15	68	327	42
Total	**805**	**278**	**49**	**96**	**340**	**42**

Employment contracts do not include any special rights and obligations of employees or some part of them.
In 2022, the Company also paid much attention to qualification improvement, safety (zero fatalities), welfare, diversity, equality and involvement of employees. Training in the Company is done in two directions using:
1. Services of training institutions (external training);
2. Services of higher education institutions (employee studies).

11. Important events having occurred since the end of the preceding financial year

Information on key events having occurred after the end of the financial year is provided in the Notes to the Separate Financial Statements (Note 32) and Consolidated Financial Statements (Note 32), also refer to Section 13 of this Annual Report.

12. Information on research and development activities performed by the Company and the Group

The Company and companies of the Group continually pay much attention to increase of operational management efficiency, improvement of construction work quality and introduction of modern technologies. We are looking for the ways to make activities more efficient, apply innovative and resource-saving process management methods, improve working conditions of employees, improve quality of construction works and services.
Realizing that construction activities leave a fairly significant footprint for nature and environment, we make emphasis on the sustainability issue in our operation. We strive to analyse the impact of our operation in order to consistently reduce the negative influence on the health of employees, surrounding communities and nature, amount of CO_2. By optimizing production processes, we aim to reduce the amount of energy used in our activities. We invest the processes allowing to generate and use green energy.
To maintain the highest competence in the construction sector, the Company introduces and uses advanced processes and technologies. In cooperation with our partners, we strive for a wider application of the digital model (BIM) principles in development project management.
The up-to-date design software is used to prepare building designs. We continually follow innovations and complement the software used with actual applications.

13. Operation plans and forecasts of the Company and the Group

Due to the various geopolitical events or even climatic factors, currently having a significant impact on the construction sector it is difficult to give any forecasts for the year 2023. Increasing uncertainty about demand or funding can encourage construction customers and real estate developers to postpone new construction plans until demand becomes more predictable.
Although a difficult year is waiting for the construction sector, the Company will seek to implement the operational strategy and business goals approved by the Board – to remain competitive and maintain the position of the construction market leader. *Panevezio statybos trestas* AB and the

companies of the Group will search for solutions to absorb the negative effects of the war in Ukraine on the operation of the Group, seek to ensure that the costs of the projects in progress as well as investments and operating activities are optimal.
In 2022, the Company and the Group will make every effort to assess and manage the risks that have arisen, find new markets and increase the cost-effectiveness of new projects. The Company and the Group will continue developing real estate in order to achieve a return on investments.

14. Authorised capital of the issuer and its structure

As of 31 December 2022, the authorised capital of the company amounted to 4,741,500 Euros divided into 16,350,000 ordinary registered shares (ORS) the nominal value of each share being 0.29 Euros. All shares are fully paid. The proof of ownership is the record in the securities accounts.
The Company has not acquired any shares of the Company.
On 31 December 2022, the total number of the shareholders was 1,756.

Table 5. Distribution of shareholders by residence country and legal form:

Investors	*Number of shares, pcs.*	*Portion of authorized capital, per cents*
Foreign investors		
Legal entities	*2,232,296*	*13.7%*
Natural persons	*1,426,839*	*8.7%*
Local investors		
Legal entities	*8,981,770*	*54.9%*
Natural persons	*3,709,095*	*22.7%*

Table 6. Shareholders holding or controlling more than 5 per cents of the authorised capital of the Company:

Full name of a shareholder (company name, type, headquarter address, company code)	*Number of ordinary registered shares held by a shareholder under ownership right (pcs.)*	*Portion of the authorized capital held (%)*	*Portion of votes granted by the shares held under ownership right (%)*
HISK AB S. Kerbedzio Str. 7, Panevezys Company code: 147710353	8,138,932	49.78	49.78
CLAIRMONT HOLDINGS LTD Company number 85573 GRIGORI AFXENTIOU, 27 P.O. 6021, CYPRUS	936,052	5.72	5.72
Freely floating shares	7,275,016	44.50	44.50

None of the shareholders of the issuer has any special control rights. All shareholders have equal rights prescribed by Section 4 of the Law on Companies of the Republic of Lithuania.
The number of shares carrying votes at the General Meeting of Shareholders of *Panevezio statybos trestas* AB is 16,350,000, one ordinary registered share of the Company carries one vote at the General Meeting of Shareholders.

15. Dividends

The decision to pay dividends is taken and the amount to be paid as dividends is set by the General Meeting of Shareholders. The company pays the allocated dividends within 1 month from the date when decision on profit appropriation has been taken.
The persons who were the shareholders of the Company at the end of the tenth business day from the General Meeting of Shareholders that adopted the relevant decision are entitled to the dividends.
Dividends are taxable in accordance with the Law on Income Tax of Individuals and the Law on Corporate Income Tax of the Republic of Lithuania.

The Ordinary General Meeting of Shareholders of *Panevezio statybos trestas* AB that took place on 28 April 2022 did not come to the decision to pay dividends.

Table 7. History of dividends paid over the previous years:

	Profit of financial year allocated for dividends				
	2015	2016	2017	2018	2019
Total amount allocated for dividends, Euros	261,977	1,062,750	981,000	0	490,500
Dividends per share	0.016	0.065	0.060	0	0.030
Ratio of dividends to the Company's net profit, per cent	79.80	59.33	504.50	0	83.09
Dividend profitability (dividends per share / share price as of the end of the period), per cents	1.7	6.9	6.6	0	5.3

16. Information on significant transactions between the related parties

All transactions with related parties are provided in the Notes to the Separate Financial Statements (Note 29) and Consolidated Financial Statements (Note 28).

17. Published information

In accordance with the procedure established by the laws of the Republic of Lithuania, all material events related to operation of the Company and information on the time and place of the General Meeting of Shareholders are published on the website of the Company https://www.pst.lt/investuotojams and on the stock exchange *NASDAQ Vilnius* AB (www.nasdaqomxbaltic.com).

Corporate Governance Report

Information on compliance with the Corporate Governance Code

The information on compliance with the Corporate Governance Code is provided in Appendix 1 to the Annual Report.
Panevezio statybos trestas AB in principle complies with the recommendatory Governance Code for the companies listed at *NASDAQ OMX Vilnius*. Referring to the Articles of Association of the Company, the governance bodies of the Company include the General Meeting of Shareholders, the Board and the Managing Director. According to the Law on Companies of the Republic of Lithuania, either two (supervisory and management) or one collegial management body may be set up in the Company at the discretion of the Company. As no Supervisory Board is set up in the Company, the Board is elected, which performs the supervision functions pursuant to the Law on Companies of the Republic of Lithuania. Following the Articles of Association of the Company, the Board is set up of 5 members, which are elected for the period of four years. The members of the Board represent the shareholders and perform the supervisory and control functions. Only the Audit Committee, which is elected for the period of one year, is formed in the Company. The functions of the Nomination and Remuneration Committees are performed by the Board.
The system of the corporate governance ensures fair treatment of all shareholders, including minority and foreign shareholders, and protects the rights of the shareholders.
The management system of the Company ensures that any information on all essential issues, including financial situation, operation and Company management, is disclosed in a timely and accurate manner.
The Audit Committee of the Company gives recommendations to the Board on nomination of an auditing company/auditor. The Board selects the candidate for the auditing company/auditor and submits it to the General Meeting of Shareholders for approval. This ensures independence of the conclusions and opinion provided by the auditing company.

Information on extent of risk and risk management

Risk management is a part of strategic management and integral to the day-to-day operations of the Group. In managing risks, the main objective of the Group is to identify higher and significant risks and manage them in the optimal way. The following financial risks are faced within the Group: credit, liquidity, market, business and operational.
The Board is responsible for setting up and maintaining the risk management structure. The risk management policy of the Group is aimed at identifying and analysing the risks faced by the Group, introduction and maintenance of appropriate limits and controls. The risk management policy and risk management systems are reviewed at regular intervals to reflect changes in market conditions and operation of the Group. The Group seeks to create a disciplined and constructive environment for risk management where all employees know their roles and responsibilities.
Based on the credit risk policy established by the Group, standard payments and terms are only offered after credit standing of each new client has been assessed. The potential credit risk for the clients of the Group and the Company is managed through continuous monitoring of outstanding balances. The aim to ensure that the services are provided to reliable clients and do not exceed the permissible credit risk limit is continuously maintained. The clients failing to meet the established limit may only make purchases with the Group after paying prepayments.

The Group manages liquidity risk to ensure, as far as possible, sufficient liquidity, which allows fulfilling its obligations under both normal and complex conditions without incurring unacceptable losses and without facing the risk to lose reputation of the Group. The Company and the Group strives to maintain sufficient amount of cash and cash equivalents or secure of appropriate credit instruments so as to fulfil their obligations.
The market risk is the risk that changes in market prices, for example, changes in exchange rates and interest rates will affect the result of the Group or the value of available financial instruments. The purpose of the market risk management is to manage open positions of risk in order to optimize returns.

Business risk is related to the Group's entry into new markets, segments, management of available inventories and investments, and execution of construction contracts. One of the peculiarities related to construction activities is that the fulfilment of concluded construction contracts is a long-term process, which makes the sector inert to changes in the economic environment. For this reason, both positive and negative changes reach the economic environment in the construction sector with considerable delay. In order to manage business risk, the Company and the Group seek to diversify their sources of revenue. To this end, orders are being sought and contracts are being concluded in both private and public sectors, and markets are being searched not only in Lithuania but in other countries as well. The companies of the Group operate in different sectors, such as construction, real estate development, production and engineering network installation. The construction sector is not limited to the construction of single-purpose buildings. The Company implements construction projects for industrial, engineering, environmental and residential buildings. Before starting new projects, the Company and the companies of the Group make a thorough analysis of the project specifics and only after are confident that the environment is sufficiently stable and a competent team is collected, final decisions are made.

The accounts of the Company are kept and financial statements are prepared in accordance with International Financial Reporting Standards adopted for application in the EU. The annual financial statements are audited by the independent auditors selected by the General Meeting of Shareholders. This procedure ensures relevance and transparency of the data provided in the financial statements.

Operational risk constitutes the risk of probability to incur losses due to people, systems, inadequate internal processes or their failure, effects of external events, including legal risks. For the purposes of operational risk management, the Group implements appropriate measures to ensure functioning of the internal control system and appropriate co-operation with relevant third parties. The main elements of internal control applied in the Group are control of operations and accounting, limits of decision-making powers and their control, separation of business decision-making and control functions, etc. The aim is to minimize the risk of legal compliance and ensure that the activities carried out comply with the applicable legislation. To this end, the advice of professional lawyers and their participation are used in the processes of drafting internal instruments and contracts.

Information on significant directly or indirectly held share portfolios

The Company has no information available on directly or indirectly held share portfolios.

Information on any transactions with related parties as prescribed by Paragraph 2, Article 37 of the Law on Companies.

There were no such transactions concluded.

Information on shareholders with special control rights

There are no shareholders with special control rights in the Company. The ordinary dematerialised shares of the Company grant equal voting rights to all shareholders of the Company.

Information on all existing limitations on voting rights

The Company has no information available on limitations on voting rights.

Information on rules regulating election and replacement of the Board members, and amendment of Articles of Association

The Board of the Company consisting of five members is elected by the General Meeting of Shareholders for a period not longer than 4 years. At present there are five members in the Board. The procedure of electing and dismissing the members of the Board is not different from that prescribed by the Law on Companies.

The Articles of Association may be amended only by the General Meeting of Shareholders by the qualified majority of at least 2/3 of the total votes of the shareholders attending the meeting. The resolution amending the Articles of Association is adopted following the procedure set forth in the Law on Companies of the Republic of Lithuania.

Information on powers of members of the Board

The powers of the members of the Board are set forth in the Law on Companies of the Republic of Lithuania and the Articles of Association. The Articles of Association of *Panevezio statybos trestas* AB are published on the website at http://www.pst.lt/en/investuotojams.

Information on powers of General Meeting of Shareholders, rights of shareholders and their exercising

The powers of the General Meeting of Shareholders and the rights of shareholders are set forth in the Articles of Association and are not different from that prescribed by the Law on Companies.

Information on composition of management, supervisory bodies and their committees, their activities and field of activities of the Chief Executive Officer

Referring to the Articles of Association of *Panevezio statybos trestas* AB, the management bodies of the Company are the General Meeting of Shareholders, the Board and the Managing Director. The Supervisory Council is not formed in the Company.
The General Meeting of Shareholders is the highest governing body of the Company, resolving the issues assigned to its competence by the Law on Companies and the Articles of Association of the Company. The competence of the General Meeting of Shareholders does not differ from that of the competence prescribed by the Law on Companies.
According to the Law on Companies of the Republic of Lithuania, one collegial management body may be formed in the Company. The Board consists of 5 (five) members, who are elected by the General Meeting of Shareholders for the period of 4 (four) years. They represent the shareholders and perform supervisory and control functions. The activities of the Board are managed by the Chairman. The Board elects the Chairman from the members of the Board.
The Chief Executive officer of the Company is the Managing Director. The Managing Director is the sole governing body of the Company. The Managing Director is the main person managing and representing the Company. The Board elects and dismisses the Chief Executive Officer of the Company – the Managing Director, fixes his salary, sets other terms and conditions in the employment contract with him, approves his job description, gives incentives and imposes penalties. The Managing Director shall organize the activities of the Company.

The Board:

The Board members of *Panevezio statybos trestas* AB were elected for a new 4 (four) year term at the General Meeting of Shareholders on 9 April 2021, 2 (two) members of the Board are independent. The term of office of all members of the Board will end on 9 April 2025.

JUSTAS JASIUNAS, Chairman

Educational background: Mykolas Romeris University, Master in Law.
Place and position of employment: Consultant at *Panevezio statybos trestas* AB (company code 147732969, P. Puzino Str. 1, Panevezys).

Participation in activities of other companies:
Board Member at *HISK* AB (company code 147710353, S. Kerbedzio Str. 7, Panevezys);
Chairman at *Aliuminio fasadai* UAB (company code 305412441, Pramones Str. 7, Panevezys);
Chairman at *Vekada* UAB (company code 147815824, Marijonu Str. 36, Panevezys);
Board Member at *Skydmedis* UAB (company code 148284718, Pramones Str. 5, Panevezys);
Board Member at *PST investicijos* UAB (company code124665689, Ukmerges Str. 219, Vilnius).
As of 31 December 2022, held no shares of the Company.

GVIDAS DROBUŽAS, Board Member

Educational background: Panevezys Polytechnic School, higher non-university.
Place and position of employment: General Director, Board Member at *IOCO Packaging* UAB (company code 110564826, Pusaloto Str. 212, Panevezys).
Participation in activities of other companies:
Chairman at *HISK* AB (company code 147710353, S. Kerbedzio Str. 7, Panevezys);
Consultant at *Panevezio statybos trestas* AB (company code 147732969, P. Puzino Str. 1, Panevezys);
Board Member at *PST investicijos* UAB (company code 124665689, Ukmerges Str. 219, Vilnius);
Director at *Pokstas* UAB (company code 168424572, Gustonys Vlg., Naujamiestis Eldership, Panevezys District Municipality);
Director at *IOCO* UAB (company code 302547850, Verkiu Str. 25C-1, Vilnius);
Director at *Stenrosus* UAB (company code 300007108, B. Sruogos Str. 6-14, Vilnius).
As of 31 December 2025, held 5 (five) shares of the Company, a shareholder of *HISK* AB.

VAIDAS GRINCEVICIUS, independent Board Member

Educational background: Vilnius University, Master in Management and Business Administration.
Participation in activities of other companies:
Venture Capital Investor, Member of LitBAN (Lithuanian Business Angel Network) Association (company code 304811409, L. Stuokos-Guceviciaus Str. 9-10, Vilnius);
Chairman at *SIQOR industries* UAB (company code 304755864, Konstitucijos Ave. 21A, Vilnius).
As of 31 December 2022, held no shares of the Company.

KRISTINA MACIULIENE, Board Member

Educational background: Kaunas University of Technology, Bachelor in Business Administration, Lithuanian University of Law, Master in Law.
Place and position of employment: Expert-Consultant at *HISK* AB (company code 147710353, S. Kerbedzio Str. 7, Panevezys).
Participation in activities of other companies:
Board Member at *HISK* AB (company code 147710353, S. Kerbedzio Str. 7, Panevezys); Chairman at *Skydmedis* UAB (company code 148284718, Pramones Str. 5, Panevezys);
Chairman at *Hustal* UAB (company code 148284860, Tinklu Str. 7, Panevezys);
Board Member at *Vekada* UAB (company code 147815824, Marijonu Str. 36, Panevezys);
Board Member at *Aliuminio fasadai* UAB (company code 305412441 Pramones Str. 5, Panevezys);
Chairman at *Lauktuves Jums* UAB (company code 147797155, Laisves Sq. 26, Panevezys);
Chairman at *Gustoniu zemes ukio technika* UAB (company code 168581940, S. Kerbedzio Str. 7F, Panevezys).
As of 31 December 2022, held 10 (ten) shares of the Company.

LINA SIMASKIENE, independent Board Member

Educational background: Kaunas University of Technology, Engineer-Economist.
Place and position of employment: Chief Financial Officer at *IOCO Packaging* UAB (company code 110564826, Pusaloto Str. 212, Panevezys), Board Member.
Participation in activities of other companies:
Chief Accountant at *IOCO* UAB (company code 302547850, Verkiu Str. 25C-1, Vilnius);
Chief Accountant at *Pokstas* UAB (company code 168424572, Gustonys Vlg., Naujamiestis Eldership, Panevezys District Municipality);
Chief Accountant at *Stenrosus* UAB (company code 300007108, B. Sruogos Str. 6-14, Vilnius);
Chief Accountant at *New Miracle* UAB (company code 304552981, J. Zikaro Str. 33A, Panevezys);
As of 31 December 2022, held no shares of the company.

Administration:

EGIDIJUS URBONAS – Head of the Company Administration, Managing Director. Holds no shares of the Company. University education, Construction Engineering, Kaunas Technology University. Master Degree in Construction Engineering, Vilnius Gediminas Technical University, postgraduate program in Construction Management.
Participation in activities of other companies: Chairman at *PST investicijos* UAB (company code 124665689, Ukmerges Str. 219, Vilnius)
As of 31 December 2022, held no shares of the Company

DANGUOLE SIRVINSKIENE – Chief Accountant of the Company. Holds no shares of the Company. University education (LZUA, 1983), Accounting - Economics.

In 2022, no loans, guarantees, sureties were granted and no property was transferred to any Board Members or top managers of *Panevezio statybos trestas* AB.

Audit Committee

Following Article 52 of the Law on Audit of the Republic of Lithuania, the General Meeting of Shareholders of *Panevezio statybos trestas* AB elects the Audit Committee. The Audit Committee consists of three members, two of them being independent. The term of office of the Audit Committee is one year. The continuous term of office of a committee member cannot exceed 12 years.
The functions of the Audit Committee are as follows:
1) to monitor the financial reporting process;
2) to monitor effectiveness of the company's internal control, risk management and internal audit, if applicable, systems;
3) to monitor the process of the audit;
4) to monitor independence and objectivity of the auditor or audit company.

The following members were elected to the Audit Committee at the Annual General Meeting of Shareholders of *Panevezio statybos trestas* AB on 28 April 2022:
Drasutis Liatukas – an independent auditor, Head of *Finansu auditorius* UAB, auditor. Holds no shares of the Company;
Irena Kriauciuniene – an independent auditor. Holds no shares of the Company;
Lina Rageliene – Deputy Chief Accountant of the Company. Holds no shares of the Company.

Diversity policies applied to election of the CEO and members of the supervisory bodies of the company

The Company has no diversity policy for election of the CEO and members of the supervisory bodies of the Company. The main criterion for election of a candidate to CEO and members of the supervisory or management bodies is competence of the candidate.

Information on all agreements between the shareholders

The Company has no information on any agreements between the shareholders available.

Consolidated Report of Social Responsibility

We believe that corporate social responsibility is effective only when integrated into everyday work and, if managed like any other business activity, it leads to a sustainable and responsible economy.
Constant and continuous improvement of business and project management, quality, customer satisfaction, supply and subcontracting chain management, environmental and public relations at PST is not only openness to the surrounding environment, but also the goal of operating ethically, fairly and transparently in respect of the market, environmental protection, society and employees.
In their activities both, the Company and the companies of the Group, follow the highest standards of business ethics and principles of social ethics. Social responsibility is based on its values and defines the approach of the Company to its activities, integration of social, environmental and transparent business principles in the internal processes of the Company and the Group as well as in relations with its clients.

Short Description of Activity Model

Panevezio statybos trestas AB is one of the largest local construction companies, which has been operating in the construction sector for more than 60 years and has the highest competence for creation of exceptional quality. Honesty, responsibility, professionalism, quality workmanship and efficient solutions are the values that have allowed us to achieve our goals – today we are one of the largest construction companies in Lithuania. The Company has implemented many especially important and complex projects that have contributed to the economic growth of Lithuania and have a significant impact on development of infrastructure and improvement of environment protection in the country.

In 2022, the Company made structural changes in order to optimize costs, concentrate services and strengthen production capacity. One of them, merge of the branches *Konstrukcija* and *Betonas*, *Genranga* and *Stogas*, took place at the beginning of the year. This merge resulted in reduction of branch administration costs and faster decision-making processes.
The Company comprises the following branches:
- *Gerbusta*, focusing on construction of utility networks and landscaping.
- *Pastatu apdaila*, carrying out indoor and outdoor finishing works,
- *Konstrukcija* where production capacities are concentrated, this branch carries out civil and special construction works,
- Vilnius branch *Genranga*, performing general contracting activities and project management in the Vilnius Region,
- *Klaipstata*, performing general contracting activities and project management.

The business model of *Panevezio statybos trestas* AB Group has hardly changed from last year. In 2022, two subsidiary companies of *Panevezio statybos trestas* AB, *Hustal* UAB and *Metalo meistrai* UAB, were merged. The activities of both companies overlap to a considerable extent – both of them carry out the works related to engineering, production and sales of steel structures for various industries, therefore merger is aimed for optimizing processes and making them more efficient. After merger *Hustal* UAB ceases its operation and *Metalo meistrai* UAB continues operating having taken over the name, assets, rights and liabilities of *Hustal* UAB.
In view of the increased geopolitical tension in the region, new sanctions and restrictive measures imposed on the Russian Federation and Republic of Belarus by the European Union and its allies, *Panevezio statybos trestas* AB ceases to operate its companies located in the region of the Russian Federation. In 2023, *Teritorija* OOO, a subsidiary operating in the Russian Federation was de-registered.
The Group consists of the parent company, *Panevezio statybos trestas* AB, and 11 subsidiaries in Lithuania, Latvia and Poland. Information on the portion of the capital held by *Panevezio statybos trestas* AB in the subsidiaries is provided in Section 5 of the Consolidated Annual Report.
Panevezio statybos trestas AB and the companies of *Panevezio statybos trestas* AB Group belong to various associations. *Panevezio statybos trestas* AB is the member of the Lithuanian Construction Association, Association of Testing Laboratories for Construction Products, Panevezys Chamber of Commerce, Industry and Crafts. *Hustal* UAB is the member of the Lithuanian Association of

Welders and *PST investicijos* UAB is the member of the Lithuanian Real Estate Development Association.

For management purposes, the Group is divided into business units based on the nature of their activity and has the following accountable segments:

- Construction;
- Steel structures;
- Timber panel houses;
- Concrete floor installation;
- Aluminium structure production;
- Real estate development;
- Other activity.

The segment of construction includes activity of *Panevezio statybos trestas* AB, *Vekada* UAB, *Alinita* UAB and PS Trests SIA. The main area of activity is construction, design and erection of various buildings, structures, equipment and communications, construction/installation of other objects (electrical installation, building renovation, installation of plumbing, waste water systems, fire protection systems, video surveillance, security and fire alarm) in Lithuania and other countries.
The segment of steel structures includes activity of *Hustal* UAB. The main area of their activity is design and fabrication of steel structures for construction. The company also delivers steel structures to other companies based on their demand.
The segment of timber panel houses includes activities of *Skydmedis* UAB. The area of activity is design, production, construction and outfitting of prefabricated timber panel houses, production of timber structures and millwork.
In the segment of concrete floor installation, concrete floor installation in industrial and public buildings is carried out by *Pastatu apdaila*, the branch of *Panevezio statybos trestas* AB.
The *aluminium structure production* (the production of aluminium profile systems, aluminium framed windows and doors) was started by *Aliuminio fasadai* UAB in the beginning of 2020.
The segment of real estate development includes *Seskines projektai* UAB, *Ateities projektai* UAB, *Tauro apartamentai* UAB and *PST investicijos* UAB.
The segment of other activity includes Kingsbud Sp.z o.o., which is engaged in wholesale of construction materials.

Due to insignificance of volumes, the segments of concrete floor installation and production of aluminium structures are not distinguished and are presented in the segment of *Other activity* in the consolidated financial statements.

Strategy, vision, mission and objectives of the Company

In its activity, *Panevezio statybos trestas* AB follows the strategy approved by the Board. The strategy of the Company is based on growth in operation, enhancement in corporate value, management of client relations, ensuring of safe working environment and development of employees.

Vision **–** To become a reputed construction company in Europe, the first choice for clients in terms of construction companies, which uses advanced technologies, ensures quality and agreed work completions terms.

Mission - While honestly fulfilling our obligations, promoting long-term cooperation and proposing mature solutions in construction, we ensure profitable and sustainable business development, thus creating the value to our clients, shareholders and employees.

Objective **-** To retain the leading position in the construction market by activity volumes, improve by applying innovative company management methods, look for new business areas, investment partners, participate in business development processes, strengthen the position of a builder in the industrial, infrastructural and public construction sectors, promote training and development of employees at all levels.

Principles of social responsibility:

Accountability (for impact on society, economy, environment);
Transparency (of decisions and activity, which have impact on society and environment);
Ethical (proper) behaviour;
Respect (listening attentively and responding) for stakeholders' interest;
Respect for the rule of law;
Respect for international norms of behaviour;
Respect for human rights.

Environment Protection

Panevezio statybos trestas AB and the companies of the Group (*Skydmedis* UAB, *Hustal* UAB, *Alinita* UAB, *Vekada* UAB) have the Environmental Management System (EMS) consistent with the requirements of ISO 14001:2015/LST EN ISO 14001:2015, legal and other environmental regulations established, documented and constantly reviewed to ensure its suitability, adequacy and effectiveness.
In the process of implementation related to the established Environmental Policy, the Company seeks to preserve a healthy environment to any employee, biological and landscape diversity as well as optimal use of natural resources. The Environmental Policy is published in all branches, subsidiary companies and sites of *Panevezio statybos trestas* AB, available for public and all interested parties on the website at www.pst.lt.
When making plans of the environmental system, external and internal issues with regard to the objectives and strategic direction of the Company as well as needs and requirements of interested parties are taken into account resulting in defining risks and opportunities to make sure that the integrated management system is able to achieve the intended outcome, strengthen the desired impact, prevent or reduce undesired effects and achieve continual improvement. The Company plans actions to eliminate risks, how actions should be integrated and implemented in the EMS processes, assessment criteria and effectiveness of these actions. *Panevezio statybos trestas* AB has the Risk and Opportunity Register prepared.
The significant environmental aspects are determined in all branches, subsidiary companies and sites of the Company after significance of activity impact on environment is taken into account and legal requirements are identified. The environmental aspects are identified by analysing past, current and potential beneficial and adverse environmental impact of activities, services and products of the subdivisions. The review of these aspects is performed at least once per year and in case the nature of activities or any other conditions, such as a process, materials used, technologies, etc., changes, provided they condition occurrence of new environmental aspects. The site aspects are identified individually for each project.
The significant environmental aspects can cause one or more significant environmental impacts and therefore can result in risks and opportunities to be assessed in order to ensure the Company is able to achieve the intended outcomes of the EMS. When determining environmental aspects, a life cycle perspective is taken into account. The following key life cycle stages of a product/service are thought over and evaluated: raw material acquisition, design, production of construction products, transportation, construction of a building, use of a building, end-of-life treatment and final disposal (waste recycling and management). For each aspect possible legal and other requirements, which can affect activities of the Company and the Group, are identified.
As every year, in 2022 the Company monitored the EMS indicators and performed measurements: amount of waste, amount of hazardous chemicals used, incidents related to soil pollution with oil products, rainwater pollution, emissions from internal combustion engines, air pollution with particulate matter, noise, indoor dust, street pollution with dirt/dust, consumption of electricity, water, fuel, etc.
The use of hazardous chemicals in construction sites is being reduced by replacing them with less hazardous ones.
In its operation the company uses only green electricity produced from renewable energy sources. *Panevezio statybos trestas* AB has a responsible approach on the issues of climate change and is not only a consumer of electricity, but also a producer.

In its activities, the Company uses only green electricity generated from renewable electricity sources. *Panevezio statybos trestas* AB takes a responsible approach to the issue of climate change and is not only a consumer of electricity, but also a producer.
Panevezio statybos trestas AB operates a 200 kW solar power plant, which annually generates approximately 200 thousand kWh of electric power, this makes about 30 per cents of all electric power consumed by the production facilities.
In 2023, expansion of this power plant is planned so that the amount of electric power generated by the plant covers up to 60 percent of all electric power consumed by the production facilities. In addition to that, the Company operates three power plants 30 kW each, which together generate about 80,000 kWh of renewable electric power supplied to the power grid.
In 2022, the company of the Group, *Skydmedis* UAB, started operating a 50 kW solar power plant. During the first year of operation, the investments met the expectations, which allowed the company of the Group company to generate up to 97 per-cents of required electric power.
During 2022, *Panevezio statybos trestas* AB produced 443.932 thousand kWh of electric power from its own renewable power generation sources and this allowed to avoid 174,021 kg of CO_2 greenhouse gas emissions, which would be equivalent to 5194 planted trees.
The company of *Panevezio statybos trestas* AB Group, *Skydmedis* UAB, started using a bioboiler for heating of premises. 30 per cents of the biofuel required for operation of this boiler is obtained from production timber waste, which does not need to be disposed of.
The *MobyDick ConLine KIT Flex400 MC* Wheel Washing System has been successfully in use. The closed-cycle wheel washing system not only reduces street pollution with dirt, prevents contaminated water from entering urban sewage networks, but also does not interfere with other road users when cleaning roads and is an alternative to sweeping brooms that cause dust and particulate matter spread in the city.
The accounting of generated waste is performed in the GPAIS module: https://www.gpais.eu.
The Group sorted out the following quantities of waste for recycling and reuse, as well as secondary raw materials:

	2022		2021	
	Group	incl. Company	Group	incl. Company
Timber waste, t	104.93	98.67	71.03	68.89
Paper, cardboard waste, t	7.445	7.365	12.83	12.83
Polyethylene waste, t	0.875	0.065	7.69	7.69

To reduce air pollution *Gerbusta* branch performs control of emissions from vehicles and machinery with internal combustion engines, *Skydmedis* UAB monitors air cleaning equipment, *Hustal* UAB makes efficiency measurements of air cleaning equipment in painting chambers. Renewable car fleet. We reject old polluting cars by adding new, less polluting cars to the fleet. 30 per cents of the vehicles owned by the Group comply with the requirements of the *Euro 6* emission standard.
In 2022 the pollution charges paid amounted to 209,829 Euros (132,955 Euros in 2021) for the Group and 193,502 Euros (123,071 Euros in 2021) for the Company, including:

	2022		2021	
Euros	Group	incl. Company	Group	incl. Company
Pollution with packaging waste	2,468	1,173	2,797	1,383
Pollution from mobile pollution sources	7,738	6,747	6,556	5,844
Environment protection (waste management)	199,623	185,582	123,642	115,844

The construction sector is a significant contributor to global CO_2 emissions due to its huge workload. The companies of *Panevezio statybos trestas* AB Group are looking for ways to reduce them. This is done by prioritizing optimization of resources, search for and implementation of sustainable solutions and innovations. Modern engineering systems creating a healthy working environment are applied in the buildings under construction.

The use of hazardous chemicals in construction sites is reduced by replacing them with less hazardous ones. As an example, in one of our projects we used *Ecocrete* concrete of a special formula developed for us and with lower CO_2 emissions, which has the same standard and early strength indicators as common concrete, but guarantees a fairly significant reduction in CO_2 emissions. The changed climatic conditions are taken into account in the construction process of the new buildings. As the temperature conditions change, the needs for indoor ventilation, heating and cooling also change. Therefore, new technological and architectural solutions are being implemented. The new buildings construction of which is currently started by the Company are of the A++ energy efficiency class. The buildings of the A ++ energy efficiency class use almost no thermal energy, which contributes to the climate change mitigation.

The construction sector uses very unsustainable CO_2-neutral materials: steel, cement, glass, etc., therefore solutions are being sought to make the construction process more environmentally friendly, i. e. use of organic materials. For construction of new buildings, sustainable materials are used more often. After the life cycle of the building these materials could be reused for a new life cycle or be environmentally friendly and do not result in pollutions by means of recycling. One such material is timber. *Skydmedis* UAB, the company of the Group, uses timber panels for the construction of houses. Designers apply the highest standards for design and construction of a building, contributing to environmental sustainability and healthy work environment. In the design process much attention is paid to ensuring indoor air quality, intelligent lighting in accordance with good international practices, sound resistance that retains external noise. The B2EAM New Construction Very Good certificate confirming the above measures has been awarded to the Business Centre *U219*. This certificate also acknowledges the responsible approach of developers to the environment and human health, and guarantees long-term returns.

The report was prepared taking into account the Communication from the European Commission *Guidelines on Non-Financial Reporting* (017/C 215/01).

Relationship with Employees

The main asset of the Company is employees, who are the most important link in achieving the objectives. Therefore, much attention is paid to motivation of employees: environment favourable for development of new ideas and their implementation is being created, continuous exchange of information is taking place. In the present-day environment, competence of employees is one of the key factors describing competitiveness of the Company. Considering this factor, the Company encourages employees in all organizational levels to learn and develop. Employees are given the opportunity to study, improve their qualifications, and participate in various seminars and trainings. In 2021, the training cycles on emotional intelligence were organized, and a course on improvement of performance appraisal skills was provided for managers. The lawyers together with the staff of the Personnel Department attended the Annual Labour Law Conference, and training was provided to the lawyers on the continuously changing regulation of public procurement. In 2021 considerable attention was also paid to improving the practical skills of internal communication, for that purpose professional lecturers were invited.

We constantly strive to become the leader in the construction market, guaranteeing safe and non-hazardous work places for the employees of *Panevezio statybos trestas* AB and all employees working on behalf of the Company. The Occupational Health and Safety Management System (ISO 45001) implemented in 2008 ensures continuous identification and assessment of OHS risk factors, identification of risk management measures and control of their implementation for the Company. The work and personal protective equipment is selected for the employees following the most advanced technologies.

The professional competence of employees and perception of employees in the field of occupational safety and health is continuously improved. Much attention is paid to prevention of accidents and occupational diseases, and reduction of accident likelihood. Partners, suppliers and others working

on behalf of the Company are involved in the processes of the occupational health and safety system. The human and financial resources are provided to maintain and continuously improve the occupational health and safety system.
The Company continuously invests in employee training and development courses to improve their competencies and understanding in the field of occupational health and safety. In 2022 trainings were organized both at the Company and educational institutions. Total number of trained employees and managers was 243 in 2022. The employees participated in the following trainings:

- workers performing activities at height,
- load handler,
- locksmiths – fitters of lifting equipment,
- operators of lifting platforms and their equipment,
- OHS specialists,
- site OHS coordinators,
- first aid.

Employees are motivated not only by material incentives, such as competitive wages and salaries, progressive bonus system, but also by exceptional quality of working environment. The Company and the Group provides social guarantees: the allowance is paid in the event of the death of a family member or immediate family of the employee, in case of an employee's death, a gift to an employee when a baby is born, on the employee's anniversary birthday.
On 6 August 2021, the Works Council for representation of the employees consisting of 9 members was elected at the Company. The Works Council submits proposals to the employer on economic, social and work issues, which are topical to the employees, employer's decisions, laws and other regulations governing work relations. The Council is elected for the period of three years, which starts from the beginning of their term of office.

Human Rights

The Group advocates equal opportunities for all employees, regardless of the employee's gender. The majority of the Group's employees, 85% (83% of the Company), are men. This is greatly influenced by specifics of the activity performed, i. e. women are less likely to choose the technological work performed in construction as well as specialties in construction and technical engineering directly related to such work and outdoor conditions.
The Company and the Group adhere to the principles for the protection of human rights and do not tolerate any violations of human rights in their activities. They are for the fair and transparent wage and salary policy, comply with the laws regulating overtime and working hours, respect the right of employees to rest and do not tolerate harassment and violence of any nature.
The Company opposes any discrimination and forced labour. Employees of the Company have equal rights and possibilities regardless their gender, nationality, social or family status, membership in public or political organisations or personal qualities. In 2020, there were no violations of human rights or relevant claims recorded.

Social Initiatives

Panevezio statybos trestas AB keeps on implementing its objective to be a reliable and socially responsible company. In its activity, the Company follows the principles of sustainable business development, which also include social responsibility. *Panevezio statybos trestas* AB invests in various extra activities, supports different social, sports, cultural and health promotion projects.
In 2022, *Panevezio statybos trestas* AB Group supported 17 various organizations, public institutions in the fields of education, sports, culture, health. One of such supports is support to Panevezys Lower Secondary School for Deaf and Hard Hearing Children for acquisition of a new vehicle for transportation of schoolchildren. We contribute to support actions for Ukraine in their fight for freedom. Among the social initiatives implemented by the Group, the following activities were initiated by the Company:

- Periodical blood donation campaigns in the Business Centre *U219* in cooperation with the National Blood Centre;
- Tree planting in Pasiliai Forest, Krekenava Eldership, Panevezys District;
- Collecting employee support for animal sanctuaries.

Fight against Corruption and Bribery

The Company and its subsidiaries do not tolerate corruption or its manifestations of any nature and pursue open competition, ethical business conditions and proper ensuring of transparency and publicity in their activities. The Group does not tolerate fraud, extortion, unofficial accounting, unofficial and inadequately executed transactions, accounting for fictitious expenses, use of forged documents and other forms of corruption. Provisions of corruption intolerance apply to all employees of the Group, members of the management and supervisory bodies, any third parties acting on behalf of the Group.
The risk is mitigated by existing integrated internal controls for identifying potential risk factors for corruption. The Company and the Group constantly control their activities by improving the processes.
Panevezio statybos trestas AB and its subsidiary companies refrain from any form of influence on politicians and does not fund election campaigns of political parties, their representatives or their candidates.
The Group always co-operates with the institutions and is ready to provide all the necessary information.

The Company and its subsidiary companies ensure that its procurement is carried out in compliance with the principles of equality, non-discrimination, transparency, mutual recognition, proportionality and requirements of confidentiality as well as impartiality at the same time using the Company’s funds in a rational manner. Suppliers are selected on the basis of the most economically advantageous proposal or the lowest price under equal and non-discriminatory conditions.
In performing selection of subcontractors, the Company carries out assessment of subcontractors’ qualification. Compliance with environmental, occupational health and safety requirements as well as honesty are the fundamental requirements for subcontractors.

Overview of the alignment with the EU Taxonomy Regulation

The Taxonomy (Taxonomy regulation, 2020/852) of the European Union (EU) is a classification system for sustainable economic activities designed to direct private investment to environmentally sustainable activities that contribute to the environmental objectives of the European Green Deal. The Taxonomy regulation sets out scientific evidence-based criteria for assessing the sustainability of an activity. The activities of those enterprises that fall under the Taxonomy list and meet the criteria provided can be classified as sustainable and attract green investments.
Taxonomy-eligible economic activity is defined as the activity described in the relevant delegated acts of the Taxonomy regulation, in other words, included in the Taxonomy. Companies that have determined that their revenue (turnover), capital expenditure (CapEx) and / or operating costs (OpEx) are related to activities described in the delegated acts must analyse and disclose to what extent their activities meet Taxonomy criteria on these indicators.
In this report, in accordance with the provisions of the Taxonomy regulation and related delegated acts, we provide the main performance indicators and information on the alignment of Taxonomy-eligible activities with the criteria. For information comparison, we provide data for both 2022 and 2021.

Assessment of revenue in accordance with Taxonomy

After the analysis, we found that *Panevezio statybos trestas* AB receives part of its revenue from Taxonomy-eligible economic activities. The Company's main economic activity - construction - is also Taxonomy-eligible; in Taxonomy corresponding to 7.1. Construction of new buildings. Construction economic activity accounts for the largest share of the Company's revenue, which amounted to 74.71% in 2022, and 70.89% in 2021. Other activities of the Company that are considered Taxonomy-eligible are listed under Taxonomy as 7.7. Acquisition and ownership of buildings and 7.2. Renovation of existing buildings. The share of revenue generated from these additional activities totaled 2.36% in 2022 and 10.57% in 2021.
The following tables show detailed results of assessing Taxonomy-eligible activities according to technical screening criteria. Technical screening criteria assess whether an activity meets Taxonomy requirements and can be designated as sustainable regarding environmental impact. Activities are primarily assessed based on criteria for substantial contribution to climate change mitigation and adaptation. In addition, it is assessed whether they do no significant harm (DNSH) for other environmental goals.
During the technical screening, we found that the Company's current activities only meet some Taxonomy criteria. For example, the main activity of the Company 7.1. Construction of new buildings is subject to quite challenging climate change mitigation criteria: new buildings must meet even higher requirements than are currently applied to buildings of the highest energy performance class A++, which are almost energy-free. Nevertheless, we plan to look for ways to meet the Taxonomy criteria as much as possible.

Revenue according to Taxonomy in 2022

Economic activity	NACE code(s)	Absolute revenue 2022	Proportion of revenue 2022	Substantial contribution criteria: Climate change mitigation	Substantial contribution criteria: Climate change adaptation	Do no significant harm criteria: Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of revenue 2022	Taxonomy-aligned proportion of revenue 2021	Category (enabling)	Category (transitional)
		thousand Eur	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. Taxonomy-eligible activity:																
A.1. Environmentally sustainable activities (Taxonomy-aligned)																
Revenue of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%										0%	0%		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																
7.1. Construction of new buildings	F41.1, F41.2, F43	86,542	74.71%	0%	0%	Y	N	N	N	Y	Y	Y	0%	0%		
7.7. Acquisition and ownership of buildings	L68	1,856	1.6%	100%	0%	Y	N	*n/a*				Y	0%	0%		
7.2. Renovation of existing buildings	F41, F43	876	0.76%	100%	0%	Y	N	N	N	Y	*n/a*	Y	0%	0%		-
Revenue of Taxonomy-eligible but not environmentally sustainable activities (not		89,274	77.07%													

Taxonomy-aligned activities) (A.2)				
Total: A.1 + A.2		89,274	77.07%	
B. Taxonomy-non-eligible activities				
Revenue of Taxonomy-non-eligible activities (B)		26,566	22.93%	
TOTAL: A + B		115,840	100%	

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Revenue according to Taxonomy in 2021

				Substantial contribution criteria		Do no significant harm criteria									
Economic activity	**NACE code(s)**	**Absolute revenue 2021**	**Proportion of revenue 2021**	**Climate change mitigation**	**Climate change adaptation**	**Climate change mitigation**	**Climate change adaptation**	**Water and marine resources**	**Circular economy**	**Pollution**	**Biodiversity and ecosystems**	**Minimum safeguards**	**Taxonomy-aligned proportion of revenue 2021**	**Category (enabling)**	**Category (transitional)**
		thous and Eur	**%**	**%**	**%**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**%**	**E**	**T**
A. Taxonomy-eligible activity:															

A.1. Environmentally sustainable activities (Taxonomy-aligned)															
Revenue of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%										0%		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)															
7.1. Construction of new buildings	F41.1, F41.2, F43	69,793	70.89%	0%	0%	Y	N	N	N	Y	Y	Y	0%		
7.7. Acquisition and ownership of buildings	L68	7,870	7.99%	100%	0%	Y	N	*n/a*				Y	0%		
7.2. Renovation of existing buildings	F41, F43	2,536	2.58%	100%	0%	Y	N	N	N	Y	*n/a*	Y	0%		-
Revenue of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		80,199	81.46%												
Total: A.1 + A.2		80,199	81.46%												
B. Taxonomy-non-eligible activities															
Revenue of Taxonomy-non-eligible activities (B)		18,252	18.54%												
TOTAL: A + B		98,451	100%												

Assessment of capital expenditure (CapEx) in accordance with Taxonomy

The EU taxonomy defines capital expenditure as all additions to tangible and intangible assets during the financial year considered before depreciation, amortisation and any re-measurements, including those resulting from revaluations and impairments, for the relevant financial year and excluding fair value changes. Also included are additions to tangible and intangible assets resulting from business combinations.
In 2022, the Company incurred capital expenditures to improve the investment property (building) and purchase vehicles related to Taxonomy-eligible activities: 7.7. Acquisition and ownership of buildings; 6.5. Transportation by motorcycles, passenger cars and light commercial vehicles. In 2021, in addition to the same mentioned activities, a new 150 kW solar power plant was acquired and put into operation in the group company *Skydmedis* UAB, which is related to one of the individual measures described in the Taxonomy: 7.6. Installation, maintenance and repair of renewable energy technologies.
In the following tables, we provide detailed results of the analysis of the capital expenditure (Taxonomy CapEx) to Taxonomy-eligible activities according to the technical screening criteria. In 2021 and 2022, Taxonomy-eligible investments only met some Taxonomy criteria.

Capital expenditure (CapEx) according to Taxonomy in 2022

				Substantial contribution criteria		Do no significant harm criteria										
Economic activity	NACE code(s)	Absolute Taxonomy CapEx in 2022	Proportion of taxonomy capex 2022	Climate change mitigation	Climate change adaptation	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of Taxonomy CapEx 2022	Taxonomy-aligned proportion of Taxonomy CapEx 2021	Category (enabling)	Category (transitional)
		Eur	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. Taxonomy-eligible activity:																

A.1. Environmentally sustainable activities (Taxonomy-aligned)																
Taxonomy CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%										0%	0%		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																
7.7. Acquisition and ownership of buildings	L68	422,741	48.55%	100%	0%	Y	Y					Y	0%	0%		
6.5. Transport by motorbikes, passenger cars and light commercial vehicles	H49.32, H49.39, N77.11	41,862	4.81%	50.13%	0%	N	N		N	N		Y	0%	0%		-
Taxonomy CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		464,604	53.35%													
Total: A.1 + A.2		464,604	53.35%													
B. Taxonomy-non-eligible activities																
Taxonomy CapEx of Taxonomy-non-eligible activities (B)		406,212	46.65%													
TOTAL: A + B		870,816	100%													

Capital expenditure (CapEx) according to Taxonomy in 2021

				Substantial contribution criteria		Do no significant harm criteria									
Economic activity	NACE code(s)	Absolute Taxonomy CapEx 2021	Proportion of taxonomy capex 2021	Climate change mitigation	Climate change adaptation	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of Taxonomy CapEx 2021	Category (enabling)	Category (transitional)
		Eur	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. Taxonomy-eligible activity:															
A.1. Environmentally sustainable activities (Taxonomy-aligned)															
Taxonomy CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%										0%		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)															
7.7. Acquisition and ownership of buildings	L68	1,062,507	54.92%	97.46%	0%	Y	N					Y	0%		
7.6. Installation, maintenance and repair of renewable energy technologies	F42, F43, M71, C16, C17, C22, C23, C25, C27, C28	118,000	6.1%	0%	0%	Y	Y					Y	0%	-	

6.5. Transport by motorbikes, passenger cars and light commercial vehicles	H49.32, H49.39, N77.11	73,149	3.78%	0%	0%	N	N		N	Y		Y	0%		-
Taxonomy CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		1,253,656	64.8%												
Total: A.1 + A.2		1,253,656	64.8%												
B. Taxonomy-non-eligible activities															
Taxonomy CapEx of Taxonomy-non-eligible activities (B)		680,852	35.2%												
TOTAL: A + B		1,934,508	100%												

Assessment of operating costs (OpEx) in accordance with Taxonomy

Operating costs (OpEx) are defined in the Taxonomy regulation as direct non-capitalised costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets.

The accounting system currently used by the Company is not adapted to exclude data according to the definition of Taxonomy OpEx, so collecting and disclosing the information required under the regulation in this report would have been complicated. In 2023, we plan to better prepare and provide at least the most significant data for this indicator in next year's report.

Minimum safeguards

In its activities, *Panevezio statybos trestas* AB ensures compliance with the Guidelines for Multinational Enterprises of the Organization for Economic Co-operation and Development (OECD) and the United Nations' Guiding Principles on Business and Human Rights. The Company protects and respects human rights and has a Code of conduct for employees, suppliers and company's representatives. Being one of the largest construction companies in Lithuania, *Panevezio statybos trestas* AB recognizes, understands, and feels responsible for the impact of the corporate activities on the social, economic, and natural environment. The Company is committed to complying with the laws, regulations and agreements applicable to its operation.

The sustainable business responsibility report prepared according to the model of the international standard Global Reporting Initiative is provided separately.

Consolidated Remuneration Report

The Remuneration Report of *Panevezio statybos trestas* AB has been prepared for the reporting financial period of the year 2022. The report has been prepared in accordance with the Law on Financial Reporting of Enterprises of the Republic of Lithuania, the Ordinary General Meeting of Shareholders held on 29 April 2020 approved the Remuneration Policy for Top and Middle Management Staff of *Panevezio statybos trestas* AB and the Extraordinary General Meeting of Shareholders held on 9 April 2021 approved the Procedure for Awarding and Paying Remuneration of Independent Board Members of *Panevezio statybos trestas* AB. The Consolidated Remuneration Report for 2021 was approved at the General Meeting of Shareholders on 28 April 2022 together with the Set of Financial Statements for 2021.

Remuneration of Board Members

As the Law on Companies of the Republic of Lithuania provides for the possibility to elect only one either collegial supervision or management body, the collegial management body, the Board performing the supervision function, and one-person management body, the Managing Director, are set up at the Company.
Following the Law on Companies and Articles of Association of the parent Company, the Board Members are appointed for the four-year term of office.
On 9 April 2021 the Extraordinary General Meeting of Shareholders approved the procedure for awarding and paying remuneration of the independent members of the Board for their activities in the Board. Remuneration (bonuses) is paid to the members of the Board, except for the independent members of the Board, for their work by the decision of the General Meeting of Shareholders in accordance with the Law on Companies of the Republic of Lithuania.

Remuneration Paid to Board Members

On 9 April 2021 the Extraordinary General Meeting of Shareholders elected the new Board of *Panevezio statybos trestas* AB. The information on payments made to the members of the newly elected Board over the year 2022 is presented below. The Extraordinary General Meeting of Shareholders held on 28 April 2022 did not come to the decision to pay bonuses to the members of the Board.
The amounts in the table are in Euros, before taxes.

Table 8. Information on remuneration of supervisory body members of the issuer in 2021:

Full name	***Position***	***Monthly remuneration of independent member of the Board (Euros)***	***Remuneration of independent member of the Board total for 2022 (Euros)***	***Total income from the company for 2022 (Euros)***
Justas Jasiunas	Chairman	-	-	77707
Gvidas Drobuzas	Board Member	-	-	146400
Kristina Maciuliene	Board Member	-	-	-
Vaidas Grincevicius*	Board Member	3 300	39600	-
Lina Simaskiene*	Board Member	3 300	39600	-
Total		***6600***	***79200***	***146400***

** independent member of the Board*

The Company is not aware that the Board Members of the Board have received any remuneration from other companies of *Panevezio statybos trestas* AB Group.
After the term of office for the Board expires, the Board Members are not entitled to any severance pays.

Remuneration of Company's Employees

The purpose of the remuneration policy is to increase the operation efficiency at the Company and promote achievement of strategic objectives. The objective of the Company goal is to maximize the efficiency of the reward programs in order to attract and motivate highly skilled employees who are necessary for success in business.
Over the year 2022 the salary fund attributed to the Company's employees amounted to 14.520 mln. Euros compared to 13.405 mln. Euros in 2021.
To attract high-level professionals to management positions, we aim to keep the remuneration close to the market median of the country in which any company of the Group operates.
In general, the remuneration structure at the Company consists of two parts: Fixed Remuneration Component (FRC) and Variable Remuneration Component (VRC). The FRC range limits are set taking into account the remuneration trends in the market, research data and comparative market, i.e. the market of the companies operating in Lithuania. The VRC is a tool for getting the Top and Middle Management Staff directly interested in seeking for high performance of the Company, an instrument to for creating policy and culture of the Company, clearly and accurately indicating what achievements and contributions are valued/rewarded. The Variable Remuneration Component to the Top and Middle Management Staff is paid once a year at the end of the financial year and is linked to performance of the employee, team and/or company. The full text of Renumeration Policy is provided at www.pst.lt/pst-istatai-ir-audito-nuostatai .
The Company does not provide for the possibility to restore variable remuneration.
The average monthly salary of employees (FRC and VRC) for the period 2018 through 2022 is provided in the tables below.

Table 9. Average monthly salary for employees of the Group, Euros (before taxes)

Position category	***2022***	***2021***	***2020***	***2019***	***2018***
	Average salary	***Average salary***	***Average salary***	***Average salary *****	***Average salary***
Managing Director	9281	8863	7626		
Top Management Staff	5528	5107	5323	4524	3887
Middle Management Staff	4428	4297	3478	3216	2630
Specialists	2380	2192	1806	1753	1244
Workers	1646	1380	1319	1322	980
Total	***2020***	***1800***	***1583***	***1569***	***1170***

*** Salary adjustment due to changes in taxation in effect since beginning of 2019.*

Table 10. Average monthly salary for employees of the Group, Euros (before taxes)

Position category	***2022***	***2021***	***2020***	***2019***	***2018***
	Average salary	***Average salary***	***Average salary***	***Average salary *****	***Average salary***
Top Management Staff	5019	4482	3957	4083	3040
Specialists	2436	2167	1871	1752	1343
Workers	1649	1407	1363	1322	956
Total	***2048***	***1787***	***1622***	***1569***	***1148***

*** Salary adjustment due to changes in taxation in effect since beginning of 2019.*

Remuneration Structure for Managing Director and Top Management Staff

The Fixed Remuneration Component is determined considering the impact on general operation of the Company, management scope, decision making, complexity of activities, knowledge and experience. Remuneration determined in the Employment Contract, taking into account the level of position and competence of the employee (conformity with the requirements for the position). The

Fixed Remuneration Component is paid on a monthly basis. The Fixed Remuneration Component of the Top and Middle Management Staff is reviewed minimum every 12 months.
The new size of the FRC is determined/revised based on performance assessment of the Top and Middle Management Staff. The PAD of the Top and Middle Management Staff may be changed by the decision of the Board.
The Variable Remuneration Component is designed to promote achievement of the annual objectives. The size of the VRC amounts to a fixed percentage of the annual result, which is determined and approved by the Board. The Chief Executive Officer and directors of the Company are assigned the percentage of the profit accepted for calculating motivation. For the Directors of the branches the percentage is determined from the profit accepted for calculating motivation for the branch managed by him.

Annual Changes in Remuneration

Changes in performance of the Company and average salary of the employees of the Company who are not members of the management and supervisory bodies during the last five years.

Table 11. Company performance and average monthly gloss salary for the period 2018 through 2022

Company performance	2022	2021	2020	2019 **	2018
Net profit (loss) (thousands Euros)	-1,720	304	-12,418	590	-4,852
Profit (loss) per share (Euros)	-0.105	0,019	-0.76	0.036	-0.297
Assets (thousands Euros)	52,762	48,478	62,290	71,337	58,986
Average monthly salary	*2,040*	*1,800*	*1,583*	*1,569*	*1,170*

*** Salary adjustment due to changes in taxation in effect since beginning of 2019.*

Long-Term Motivation by Shares

The Company applies neither schemes under which the members of management bodies, managers and employees receive remuneration in shares, share options or other rights to share acquisition, nor supplementary pension or early retirement schemes.

Annex 1

Corporate Governance Reporting Form

Panevezio statybos trestas AB (hereinafter referred to as "**the Company**"), acting in compliance with Article 22 (3) of the Law on Securities of the Republic of Lithuania and paragraph 24.5 of the Listing Rules of *Nasdaq Vilnius* AB, hereby discloses how it complies with the Corporate Governance Code for the Companies listed on Nasdaq Vilnius as well as its specific provisions or recommendations. In case of non-compliance with this Code or some of its provisions or recommendations, the specific provisions or recommendations that are not complied with must be indicated and the reasons for such non-compliance must be specified. In addition, other explanatory information indicated in this form must be provided.

1. Summary of the Corporate Governance Report:

Panevezio statybos trestas AB in principle complies with the recommendatory Governance Code for the companies listed at *NASDAQ Vilnius*. Referring to the Articles of Association of the Company, the governance bodies of the Company include the General Shareholders' Meeting, the Management Board and the Managing Director. According to the Law on Companies of the Republic of Lithuania, either two (supervisory and management) or one collegial management body may be set up in the Company at the discretion of the Company. No Supervisory Board is set up in the Company. Following the Articles of Association of the Company, the Management Board is set up of 5 members, which are elected for the period of for years. The members of the Management Board represent the shareholders and perform the supervisory and control functions. Only the Audit Committee, which is elected for the period of one year, is formed in the Company. The functions of the Nomination and Remuneration Committees are performed by the Management Board. The system of the corporate governance ensures fair treatment of all shareholders, including minority and foreign shareholders, and protects the rights of the shareholders.

In its Annual Report, in accordance with the requirements of the legal acts, the Company provides information on the total amounts of money calculated during the reporting period to the members of the Management Board of the Company, the Chief Executive Officer.

The management system of the Company ensures that any information on all essential issues, including financial situation, operation and company management, is disclosed in a timely and accurate manner.

The audit company is proposed by the Management Board and elected by the Meeting of Shareholders, thus ensuring independence of the conclusions and opinion provided by the audit company.

2. Structured table for disclosure:

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights **The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.**		

1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed.	Yes	All information that shall be made public in accordance with legal acts is published in Lithuanian and English via informational system of stock-exchange *Nasdaq Vilnius* and on the website of the Company. The venue, date and time of the Meeting of Shareholders convened by the Company are chosen in such a way as to ensure participation of all shareholders in the decision-making process of the Company.
1.2. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all of their holders.	Yes	The Company's authorized share capital consists of 16,350,000 ordinary shares, the nominal value of 0.29 EUR each, which provide their holders equal voting, property, dividend and other rights.
1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The rights attached to the shares are indicated in the Articles of Association of the Company, which are published on the website of the Company.
1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.	No	The Articles of Association of the Company do not provide that the mentioned transactions are subject to approval of the General Meeting of Shareholders. The shareholders of the Company approve the transactions for approval of which they have the right prescribed by the Law on Companies of the Republic of Lithuania and the Articles of Association of the Company.
1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.	Yes	The Company convenes a General Meeting of Shareholders in accordance with the procedure established by the Law on Companies of the Republic of Lithuania.

1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	All information for shareholders, notices on convocation of General Meetings of Shareholders, drafts of resolutions and documents proposed for the Meeting of shareholders by the Management Board and adopted resolutions and approved documents are made public in Lithuanian and English languages through the information system of NASDAQ Vilnius Stock Exchange and published on the website of the Company.
1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	Each shareholder can participate at the meeting in person or delegate the participation to some other person. The Company allows the shareholders voting by filling the general voting ballot in as prescribed by the law.
1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person.	No	The Company does not comply with the provisions of this recommendation, as it is not possible to ensure text protection and identify the signature of a voting person. Furthermore, in the opinion of the Company, so far there was no need for any modern technologies at the General Meeting of Shareholders for the purposes of participation and voting via electronic means of communication.

1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided.	Yes	Information on the candidates to the members of the Management Board of the Company is provided to the shareholders at the General Meeting of Shareholders with the item related to the election of the members of the Management Board on the agenda in accordance with the procedure established by the Law on Companies of the Republic of Lithuania. Information on the audit company to be elected is made public together with the notice on the draft resolutions of the General Meeting of Shareholders to be convened in accordance with the procedure prescribed by the legal acts.
1.10. Members of the company's collegial management body, heads of the administration[1] or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.	Yes	The Managing Director, Chief Accountant, Chairman and other competent persons who can provide information on the agenda of the General Meeting of Shareholders always participate at the General Meeting of Shareholders. The proposed candidates to the members of the Management Board, however not all, participated at the General Meeting of Shareholders.
Principle 2: Supervisory Board **2.1. Functions and liability of the supervisory board** **The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company.** **The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.**		
2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare.	Not applicable	As the Law on Companies of the Republic of Lithuania provides for the possibility to elect only one either collegial supervision or management body, the collegial management body, the Management Board performing the supervision function, and one-person management body, the Managing Director, are set up in the Company. The collegial supervising – the Supervisory Board is not formed.

[1] For the purposes of this Code, heads of the administration are the employees of the company who hold top level management positions.

2.1.2. Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest.	Not applicable	See item 2.1.1.
2.1.3. The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them.	Not applicable	See item 2.1.1.
2.1.4. Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent[2] members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence.	Not applicable	See item 2.1.1.
2.1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.	Not applicable	See item 2.1.1.
2.1.6. The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees.	Not applicable	See item 2.1.1.

[2] For the purposes of this Code, the criteria of independence of members of the supervisory board are interpreted as the criteria of unrelated parties defined in Article 31(7) and (8) of the Law on Companies of the Republic of Lithuania.

2.2. Formation of the Supervisory Board **The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.**		
2.2.1. The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.	Not applicable	See item 2.1.1.
2.2.2. Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.	Not applicable	See item 2.1.1.
2.2.3. Chair of the supervisory board should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.	Not applicable	See item 2.1.1.
2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof.	Not applicable	See item 2.1.1.

2.2.5. When t is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances.	Not applicable	See item 2.1.1.
2.2.6. The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.	Not applicable	See item 2.1.1.
2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures.	Not applicable	See item 2.1.1.
Principle 3: Management Board **3.1. Functions and liability of the management board** **The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.**		
3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.	Yes	As there is no Supervisory Board formed at the Company, the Management Board performs supervisory functions, discusses and approves the strategy of the Company, analyses and evaluates information on implementation of the strategy of the Company.

3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs inter alia the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.	Yes	The Company follows the strategic plan of the Company based on which the mission of the management bodies of the Company is to create and maintain a strong, competitive, financially capable and technically advanced Company that creates and maximizes the value for the shareholders.
3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers.	Yes	The Management Board ensures compliance with the laws and internal policy of the Company applicable to the Company or the Group.
3.1.4. Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance[3] on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards.	Yes	The Management Board complies with this guidance.
3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence.	Yes	When appointing the Chief Executive Officer, the Board takes into account the candidate's qualifications, experience and competence.
3.2. Formation of the management board		
3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks.	Yes	The members of the Management Board of the Company are elected by the General Meeting of Shareholders. The members of the Management Board of the Company are qualified and competent to perform their functions, have a long experience in management. At present the Management Board fails to maintain gender equality. All members of the Management Board are male. At present females make 40 per cents of the members of the Management Board, i. e. two females and three males.

3.2.2. Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report.	Yes	Information on the positions taken by the members of the Management Board or their participation in operation of other companies is continuously collected and compiled, and at the end of every year it is revised and presented in the reports prepared by the Company.
3.2.3. All new members of the management board should be familiarized with their duties and the structure and operations of the company.	Yes	The new members of the Management Board have been familiarised with their duties, the structure, operations and strategy of the Company.
3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status.	Yes	The Management Board of the Company is elected by the General Meeting of Shareholders for the maximal four-year term in office prescribed by the Law on Companies of the Republic of Lithuania. Individual members of the Management Board or the entire Management Board may be recalled by the General Meeting of Shareholders before the end of their term of office.
3.2.5. Chair of the management board should be a person whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision.	Yes	The Chairman of the Management Board represents the main shareholder and has never been the Chief Executive Officer of the Company.

[3] Link to the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance: https://www.oecd.org/daf/anti-bribery/44884389.pdf

3.2.6. Each member should devote sufficient time and attention to perform his duties as a member of the Management Board. Should a member of the Management Board attend less than a half of the meetings of the Management Board throughout the financial year of the company, the Supervisory Board of the company or, if the Supervisory Board is not formed at the company, the General Meeting of Shareholders should be notified thereof.	Yes	The members of the Management Board fulfil their functions properly: actively participate at the meetings of collegial body and devote sufficient time to perform their duties as a member of the collegial body. In 2022 there were 12 (twelve) meetings of the Management Board where three members participated in all the meetings, two members participated in eleven meetings.
3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent4, it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances.	No	Two independent Board Members are Vaidas Grincevicius and Lina Simaskiene. Prior to the Meeting of Shareholders, it was published that these two candidates for Board Membership would be considered as independent Board Members.
3.2.8. The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board.	Yes	On 9 April 2021 the Extraordinary General Meeting of Shareholders approved the *Procedure for Awarding and Paying Remuneration to Independent Board Members of Panevezio statybos trestas AB for their Activities in the Board*. The members of the Management Board, except for the independent members of the Management Board, are paid remuneration (bonuses) by the decision of the General Meeting of Shareholders in accordance with the Law on Companies of the Republic of Lithuania.
3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.	Yes	Based on the data available to the Company, all members of the Management Board act in good will for the interests of the Company and its shareholders, they are guided by the interests of the Company and not those of their own or any third parties, seek to maintain their independence in decision-making.

[4] For the purposes of this Code, the criteria of independence of the members of the board are interpreted as the criteria of unrelated persons defined in Article 33(7) of the Law on Companies of the Republic of Lithuania.

3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data.	Yes/No	The internal documents of the Company do not directly provide for an activity assessment of the collegial bodies exercising individual supervisory functions. However, the collegial body ensures that its members are competent and have a variety of knowledge, opinions and experience to perform their tasks properly.
Principle 4: Rules of procedure of the supervisory board and the management board of the company **The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.**		
4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform he supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.	Not applicable	There is no Supervisory Board formed at the Company.
4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterruptable resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.	Yes	The meetings of the Management Board of the Company are held at least once a month in accordance with the Rules of Procedures of the Management Board. The date of the next meeting of the Management Board is agreed at each meeting of the Management Board. If required, the meetings of the Management Board are held at shorter intervals.

4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution.	Yes	The members of the Management Board are notified of the meeting being convened and its agenda in advance. All members of the Management Board get all materials relevant to the issues on the agenda in advance and have an opportunity to get familiarised with them and ask questions before and during the meeting, have the right to request to supplement or clarify the materials relevant to the issue to be discussed.
4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed.	Not applicable	The Company does not have a Supervisory Board.
Principle 5: Nomination, remuneration and audit committees **5.1. Purpose and formation of committees** **The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest.** **Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.**		

<table>
<tr><td>5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees[5].</td><td>No</td><td rowspan="2">The collegial body of the Company’s management is the Management Board performing the functions of Nomination Committee and the Remuneration Committees. The Management Board selects and approves the candidacy of the Chief Executive Officer of the Company – Managing Director and agrees with the candidacies of Directors of the Company proposed by the Managing Director. The Management Board continuously evaluates their experience, professional capabilities and implementation of the Company’s strategic goals, hears out their reports. The Board selects the candidate for the external auditor and provides proposals to the General Meeting of Shareholders for approval.

On 28 April 2022, the Audit Committee was elected at the Annual General Meeting of Shareholders.</td></tr>
<tr><td>5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.</td><td>Yes</td></tr>
<tr><td>5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.</td><td>No</td><td>See the commentary on the recommendation provided in item 5.1.1.

The recommendation is implemented to the extent it is related to the activities of the Audit Committee in the Company.</td></tr>
<tr><td>5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees.</td><td>Yes/No</td><td>See the commentary on the recommendation provided in 5.1.1.

The recommendation is implemented to the extent it is related to the activities of the Audit Committee in the Company.

The Audit Committee is composed of three members. Two members conform to the requirements for independence. The Audit Committee is elected for the period of one year.</td></tr>
</table>

[5] The legal acts may provide for the obligation to form a respective committee. For example, the Law on the Audit of Financial Statements of the Republic of Lithuania provides that public-interest entities (including but not limited to public limited liability companies whose securities are traded on a regulated market of the Republic of Lithuania and/or of any other Member State) are under the obligation to set up an audit committee (the legal acts provide for the exemptions where the functions of the audit committee may be carried out by the collegial body performing the supervisory functions).

5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance.	Yes/No	See the commentary on the recommendation provided in item 5.1.1. The Audit Committee follows the Rules of the Audit Committee prepared by the committee and approved by the General Meeting of Shareholders. These rules define the regulations specifying the rights and duties of the Audit Committee, size of the Audit Committee, term of office in the Audit Committee, requirements for education, professional experience and principles iof independence. The approved Rules of the Audit Committee are published on the website of the Company. In 2022, there were 2 meetings of the Audit Committee held where all members of the Audit Committee were present.
5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.	Yes/No	See the commentary on the recommendation provided in item 5.1.1. The recommendation is implemented to the extent it is related to the activities of the Audit Committee in the Company.

5.2. Nomination Committee		
5.2.1. The key functions of the nomination committee should be the following: 1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected; 2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought; 3) devote the attention necessary to ensure succession planning.	Not applicable	There is no Nomination Committee formed at the Company. The functions of the collegial body – the Management Bord performs the functions of the Nomination Committee. (See the commentary on the recommendation provided in item 5.1.1.).
5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee.	Not applicable	
5.3. Remuneration Committee		
The main functions of the remuneration committee should be as follows: 1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so; 2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned;	Not applicable	There is no Remuneration Committee formed at the Company. (See the commentary on the recommendation provided in 5.1.1).

3) review, on a regular basis, the remuneration policy and its implementation.		
5.4. Audit Committee		
5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee[6].	Yes	The Company implements this recommendation. On 28 April 2022, the Audit Committee was elected at the Annual General Meeting of Shareholders. The Audit Committee is composed of three members, two of which conform to the requirements for independence. The Audit Committee organizes its activities in accordance with the Rules of the Audit Committee approved at the Meeting of Shareholders.
5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches.	Yes	The Audit Committee organizes its activities in accordance with the Rules of the Audit Committee approved at the Meeting of Shareholders. All members of the Committee are provided with detailed information on specific issues of the accounting system, finances and operations of the Company.
5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present.	Yes	The Audit Committee organizes its activities in accordance with the Rules of the Audit Committee approved at the Meeting of Shareholders.
5.4.4. The audit committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group.	Yes	The Audit Committee organizes its activities in accordance with the Rules of the Audit Committee approved at the Meeting of Shareholders. The Audit Committee is provided with the information mentioned listed herein from independent audit firm. No internal audit function exists at the Company/Group.

[6] Issues related to the activities of audit committees are regulated by Regulation No. 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, the Law on the Audit of Financial Statements of the Republic of Lithuania, and the Rules Regulating the Activities of Audit Committees approved by the Bank of Lithuania.

5.4.5. The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions.	Yes	The Audit Committee organizes its activities in accordance with the Rules of the Audit Committee approved at the Meeting of Shareholders.
5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved.	Yes	The Audit Committee makes analysis of ang gives evaluation to the financial statements of the Company, gives recommendations on their approval to the Management Board together with the reports on their activity over the period.
Principle 6: Prevention and disclosure of conflicts of interest **The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.** **The Corporate Governance Framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.**		
Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value.	Yes	Members of the management bodies of the Company behave in such a way that there is no conflict of interest with the Company. During the reporting period, there have been no known conflict of interest between the Company and the member of its management body.
Principle 7: Remuneration policy of the company **The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.**		

7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy.	Yes	The Company has prepared the draft of revised Remuneration Policy, which is subject to the approval at the coming General Meeting of Shareholders.
7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.	Yes	The Remuneration Policy of the Company defines the renumeration components and established the principles of its award and payment.
7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance.	Yes	Remuneration policy is intended to establish only the principles of remuneration of top and middle management staff. See item 3.2.8.
7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.	Yes	The Company complies with this recommendation in accordance with the provisions of the Labour Code of the Republic of Lithuania within the limits established therein.
7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.	Not applicable	There is no scheme anticipating remuneration of the directors in shares, share options or any other right to purchase shares.

7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year.	Yes	The Company publishes information about the implementation of the remuneration policy in the Annual Report.
7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.	No	The Company does not apply any schemes under which members and employees of a collegial body receive remuneration in shares or share options.
Principle 8: Role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.**		
8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.	Yes	The Company protects all rights of the stakeholders, allows the stakeholders to participate in corporate governance in the manner prescribed by law.
8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorized capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc.	Yes	The Company complies with this recommendation. For example, the Company has a Co-operation Agreement signed with the Works Council. According to the signed agreement, the Company informs the representatives of the Council about the financial position of the Company, employer's status, expected changes, etc.

8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	Detailed information on scheduled events of the shareholders is made public following the procedure prescribed by law, the investors (shareholders) have sufficient opportunities to familiarize themselves with the relevant information and vote in adopting decisions.
8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.	Yes	The stakeholders may submit anonymous reports to the collegial body.
Principle 9: Disclosure of information **The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.**		
9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:		
9.1.1. operating and financial results of the company;	Yes	The operating and financial results of the Company are made public in the Intermediate Semi-annual and Annual Reports of the Company on the website of the Company and on the website of stock-exchange *Nasdaq Vilnius*.
9.1.2. objectives and non-financial information of the company;	Yes	Information is published in the Intermediate Semi-annual and Annual Reports of the Company.
9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary;	Yes	All information available to the Company is published in the Intermediate Semi-annual and Annual Reports of the Company.
9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration;	Yes	Information is published in the Intermediate Semi-annual and Annual Reports of the Company.
9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities;	Yes	Information on composition, number of meeting and attendance of members of the existing committees is published in the Intermediate Semi-annual and Annual Reports of the Company.

9.1.6. potential key risk factors, the company's risk management and supervision policy;	Yes	Information is published in the Intermediate Semi-annual and Annual Reports of the Company.
9.1.7. the company's transactions with related parties;	Yes	Information is published in the Intermediate Semi-annual and Annual Reports of the Company.
9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.);	No	The Company does not apply any schemes under which employees receive remuneration in shares, share options or other rights to share acquisition.
9.1.9. structure and strategy of corporate governance;	Yes/No	Information is published in the Intermediate Semi-annual and Annual Reports of the Company.
9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects. This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts.	Yes	Information is published in the Intermediate Semi-annual and Annual Reports of the Company.
9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.	Yes	The Company complies with the recommendation and discloses information about the results of the Company and the Group of its subsidiaries. The information is published in the Intermediate Semi-annual and Annual Reports of the Company.
9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7.	Yes	The information specified in the recommendation in provided in the Annual and Semi-annual Reports of the Company.

9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time.	Yes	The Company discloses the information via the information disclosure system used by the Vilnius Stock Exchange in the Lithuanian and English languages simultaneously. The Company does not disclose the information likely to impact the price of the issued by it securities in its comments, interviews or otherwise by the time such information is announced via the information system of the Stock Exchange.
Principle 10: Selection of the company's audit firm **The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.**		
10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm.	Yes	The independent audit company performs auditing of the individual and consolidated (the Group) annual financial statements of the Company and its subsidiaries in accordance with the International Accounting Standards applicable in the European Union. The independent audit company evaluates conformity of the Annual Report to the audited Financial Statements.
10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company.	Yes	The Management Board proposes an audit firm to the General Meeting of Shareholders.
10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders.	Yes	In 2022, the firm of auditors provided no services other than auditing.